Alberta Petroleum Marketing Commission

ANNUAL REPORT

FOR THE FIFTEEN MONTHS ENDING
MARCH 31, 2021

REPORT FROM THE CEO

To say the past year was challenging is an understatement. The Alberta energy sector faced the unexpected punch of a global pandemic after already dealing with depressed prices due to oversupply and an OPEC+ price war. Yet, it has also been a transformative time in many ways. I see evidence of the resilience built into our industry as it transitions from a large capital growth mindset to a tactical growth mindset that focuses on integration, energy intensity, and operational efficiencies.

With increased global uncertainty and a changing energy sector, the Alberta Petroleum Marketing Commission ("APMC") saw an opportunity to evolve and maximize the long-term sustainable value of energy resources and seek to identify new opportunities for Alberta. Working with the Minister of Energy, the APMC amended its mandate in November to engage in other commercial activities relating to energy products in the public interest and expand access to global energy markets. In addition, we initiated in-house marketing of the Crown's conventional crude oil royalty barrels received in lieu of cash royalties and considered other petroleum product Crown royalty opportunities. This new mandate promotes a transparent, competitive, and more efficient market for Alberta's energy resources. Increasing market intelligence will support strategic and operational decision-making and leverage Alberta's position in the markets by interacting directly with commercial players so the APMC can identify opportunities that promote economic value for all Albertans.

<u>North West Redwater Partnership – Sturgeon Refinery</u>

The Sturgeon Refinery commenced commercial operations on June 1, 2020, reflecting the culmination of several years of perseverance by the APMC, as a toll payer and supporter of the refinery, in collaboration with the refinery's other stakeholders. The refinery has a capacity of 79,000 barrels per day, increasing total Alberta refinery capacity to 533,000 barrels per day. With the potential to add value to the resources Albertans own and further demonstrate Alberta's expertise in commercial-scale carbon capture and storage, the refinery has added more than 400 jobs for the facility's long-term operation and other well-paying jobs in the economy. Total diesel production was 11 million barrels in 2019 and reached 11.8 million barrels in 2020. In addition, an estimated 1.2 million tonnes of CO^2 was captured and sold for use in enhanced oil recovery, further supporting Alberta's environmental stewardship.

The APMC recognized a non-cash loss provision of $604 million related to the refinery in 2021, bringing the cumulative provision to $2.5 billion. The calculation is performed annually and reflects the negative impact of the depressed commodity prices as caused by the pandemic, currency exchange rates, and the duration of planned facility turnarounds. As the economy begins to recover, increased commercial activity is expected to improve commodity prices, increasing operating economics and cash flows from the refinery into the future.

<u>Keystone XL Expansion Project</u>

In early 2020, the APMC worked with TC Energy to mitigate pipeline constraint issues in the province by investing in the Keystone XL Pipeline Expansion Project. Following the change of government in the United States in November 2020, TC Energy and the Government of Alberta continued to work to demonstrate the importance of Keystone XL to North American energy security and interdependence while providing job creation opportunities furthering the economic recovery on both sides of the border. Despite these efforts, in January 2021, U.S. President Joe Biden revoked the Presidential Permit, effectively cancelling the expansion project and resulting in TC Energy formally suspending pipeline construction.

The Alberta Government's investment in the KXL Expansion Project was valued at $106 million as of March 31, 2021, after the Commission recorded a $256 million loss provision. At the direction of the Alberta Government, the APMC provided additional debt support to TC Energy to facilitate construction in early 2020. As a result of the project suspension in early 2021, the APMC recorded a debt guarantee provision of $1 billion. Subsequent to the year-end, on June 9, 2021, APMC and TC Energy reached an agreement for an orderly exit from the KXL project and partnership. The two parties will continue to explore all options to recoup the government's investment in the project. Final costs to the government are expected to be approximately $1.3 billion.

Crude By Rail

The Crude by Rail program implemented by the Government of Alberta under the previous government in 2018 was intended to ship an additional 120,000 barrels of oil per day from the province. The program was developed to ease market access issues associated with rising production volumes and a lack of pipeline takeaway capacity. The APMC was engaged to facilitate this program on behalf of the Government of Alberta. The financial benefits or costs of this program are recognized within the financial statements of the government. At the end of 2019, APMC had successfully divested a portion of the Crude by Rail program loading facility commitments and had entered a binding agreement to divest the balance of the program by the end of 2020. The process was delayed due to adverse market conditions, and APMC now expects to complete the process of divesting and/or terminating its contracts by the end of the year.

In 2020-21, the Crude by Rail program incurred unbudgeted costs of $443 million, primarily due to delays in divesting the program due to a downturn in the economy and adverse market conditions. The current estimated cost of ending the program is $2.3 billion, and the estimated cost of operating the program is between $2.3 and $2.7 billion. As such, divestment is expected to result in cost savings of up to $400 million. At the end of 2020, contracts for the shipment of 50,000 barrels of oil per day were reassigned.

Conventional Crude Oil Royalties in Kind

The APMC's mainstay focus of collecting crude oil royalties in kind on behalf of the Government of Alberta resulted in the generation of $5.3 million in marketing fees collected from 23,063 barrels per day of crude oil royalty volumes. The marketing responsibilities were outsourced to a third-party agent until April 2021, at which time the APMC brought the marketing of crude oil royalties in-house to further optimize royalty value received for Albertans and to provide a mechanism to commercially interact with industry fostering economic opportunities for Alberta's energy industry.

Alberta is resilient. I am confident 2022 will bring new opportunities and new approaches to continue moving the energy sector forward and that the APMC will continue to be an integral part of Alberta's future success in the industry.

Adrian Begley,
Chief Executive Officer
June 25, 2021

APMC BOARD MEMBERS

As of June 2021, here are the members of the Board of Directors for the Alberta Petroleum Marketing Commission:

Grant Sprague – Chair of the Board

As Deputy Minister of Energy, Grant leads the department responsible for developing energy and natural resource policy for the province and works closely with other government departments in the natural resources sector. Alberta Energy has responsibility and oversight of the Alberta Energy Regulator, Alberta Utilities Commission, Alberta Electric System Operator, and the Balancing Pool.

Before he was appointed Deputy Minister of Alberta Energy on April 30, 2019, Grant served as associate counsel at a national law firm. He provided advice on natural resource and environmental law, administrative law matters, and regulatory processes involving the government. Grant previously served as Deputy Minister of Energy from July 2013 to May 2016 and chair of the Alberta Petroleum Marketing Commission. Prior to 2013, Grant served as Chief of the Policy Coordination Office of Executive Council and as the Assistant Deputy Minister of Alberta Justice.

He holds a Bachelor of Laws and a Bachelor of Arts and holds an Institute of Corporate Directors designation.

Grant was appointed Chair of the Board in May 2019.

Stephanie Sterling – Chair of the Audit Committee

Stephanie is a corporate director, independent consultant, and former senior executive with over 25 years of experience in engineering, large project start-up and operations, governance, joint venture negotiations, risk management, business development, strategic planning, organizational redesign, and change management. Senior executive roles with Shell Canada included General Manager for non-technical risk, Community and Indigenous Relations for Canada, USA, and Latin America; and Vice President Business and Joint Ventures for the Heavy Oil Athabasca Oil Sands Project and AERA in California.

Currently serving on the board of Cardinal Energy (Lead Director; Audit; Reserves; Environmental, Social & Governance; and Compensation & Corporate Governance Committees), as well as the board of Cabin Ridge, a private coal venture, Stephanie also serves as an independent corporate ombudsman for Shell Canada.

Stephanie's community service includes President and Chair of the MEOW Foundation & Director on the board of the Kerby Centre. She holds a Bachelor of Science in Mechanical Engineering, is a Professional Engineer in Alberta, has a Master of Business Administration with the University of Alberta, is a member of the International Ombudsman Association, and holds the Institute of Corporate Directors ICD.D designation.

Stephanie was appointed to the board in July 2017 and appointed Chair of the Audit Committee in November 2020.

Diane Pettie

Diane is a corporate director and retired senior legal executive with over 35 years in legal management and private practice, focusing on the energy and chemicals industries. She held legal executive positions with Canexus Corporation, Sempra Energy Trading, Mirant Corporation, and Pan-Alberta Gas and was Manager, Legal at TransCanada. She practiced at the law firm, which is now Borden Ladner Gervais LLP.

Diane currently serves on the ATB Financial board (Chair, Governance and Conduct Committee and member of the Human Resources Committee), the Chartered Professional Accountants of Alberta board (public member), and the Independence Standing Committee of the Chartered Professional Accountants of Canada.

She is a co-founder, Vice-Chair, and Director of the Canada not-for-profit corporation, Women in Law Leadership. Diane earned a Juris Doctor degree from the University of Alberta and holds the Institute of Corporate Directors ICD.D designation. Diane was appointed a Queen's Counsel in December of 2013.

Diane was appointed to the board in July 2017

Corrina Bryson

Corrina Bryson is an independent director with over 25 years of experience in the energy industry. Currently, she serves on the Alberta Energy Regulator, Emissions Reduction Alberta, and Canada-Nova Scotia Offshore Petroleum boards.

Corrina began her career with Shell, working in progressive engineering, project, and business roles from 1994 to 2004 in the Netherlands, the UK, and Canada. Between 2004 and 2011, Corrina was a consultant and Director with RPS Energy and APA Petroleum Engineering. Over the past five years, Corrina has focused on board service in the energy, environment, and economic sphere. From 2011 to 2016, she worked with CNOOC-Nexen in various roles, including Vice President, Resource Development North America.

Corrina graduated from the University of Bradford, England, with Bachelor and Masters degrees in Chemical Engineering with Management. She is a Professional Engineer in Alberta and holds a Masters Certificate of Project Management from the University of Lethbridge, and holds the Institute of Corporate Directors ICD.D designation.

Corrina was appointed to the board in January 2019

Terrance Kutryk

Terrance Kutryk was President and Chief Executive Officer of Alliance Pipeline. Prior to that had an extensive career at Husky Energy, culminating as Senior Vice President, Midstream & Refined Products. He has also held the position of Chairman of the Board for Sultran Ltd., Pacific Coast Terminals Company Ltd. and the Canadian Energy Pipeline Association (CEPA) and sits on the boards of Athabasca Minerals, Unit Electrical Engineering and VantEdge O&G, and the advisory boards for Crux Operations Control Management, WaterSMART Solutions, the University of Calgary's Haskayne Centre for Advanced Supply Chain Management and Logistics and the Schulich School of Engineering industry advisory council.

A member of the American Society of Mechanical Engineers, Petroleum Society of Canada, CFA Institute, and the Calgary Society of Financial Analysts, Terrance holds a Masters of Business Administration and Bachelor of Commerce degrees from the University of Calgary, is a graduate of the Petroleum Land Management program at Mount Royal University, and holds an ICD.D from the Institute of Corporate Directors. He is a Chartered Financial Analyst and holds designations from the Investment Dealers Association of Canada.

Terrance was appointed to the board in January 2019.

Dave Mowat

Dave Mowat retired in June 2018 as President and CEO of ATB Financial. Under his leadership, ATB grew to more than 5,000 team members in 247 communities, $55 billion in assets, and served 725,000 customers. Named Canada's #1 CEO in 2016 by Glassdoor, Dave also made the list of Alberta's Top 50 Most Influential People by Alberta Venture Magazine in that same year. A 2015 Inspired Leader of the Year for the International Association of Business Communicators, Dave was also honoured as Business Person of the Year in 2014 by Alberta Venture.

In 2016, Dave headed Alberta's Royalty Review panel, whose recommendations were fully adopted by the province, marking a new and innovative approach to Alberta's oil and natural gas royalty structure. In 2019, Dave also served on the province's Blue Ribbon Panel on the Economy to make recommendations toward balancing the Alberta budget.

Serving on numerous boards, including Telus, Laurentian Bank, STARS, Alberta Blue Cross, Edmonton Airports, the Citadel Theatre in Edmonton, and the National Music Centre in Calgary, Dave was also involved with Dogs With Wings, and in 2016 was accompanied everywhere by Vaughn, a black lab service puppy who was part of the agency's program to train service dogs to make life better for blind and autistic children.

Dave was appointed to the board in January 2019 and is a member of the Audit Committee.

Roxanne Leblanc

Roxanne LeBlanc has been Assistant Deputy Minister of Finance at Alberta Energy since February 2021. A highly experienced senior financial management professional and Chartered Professional Accountant, Roxanne has a proven record of success in directing financial services, business, and operational planning processes, along with substantial experience dealing with complex, multi-party, and multi-jurisdictional challenges.

Working in the airport industry for ten years prior to joining the Government of Alberta, Roxanne served as Vice President of Corporate Services for the Fort McMurray Airport Authority. She then moved on to the Edmonton International Airport Authority. Outside of work, Roxanne enjoys skiing in the mountains with her family and gardening. She is also an avid cook and all-around foodie.

Roxanne was appointed to the board in February 2021 and is a member of the Audit Committee.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

This Management's Discussion and Analysis ("MD&A") dated June 30, 2021, should be read in conjunction with the audited consolidated financial statements of the APMC for the fifteen months ended March 31, 2021, and the twelve months ended December 31, 2019.

The consolidated financial statements for the fifteen months ended March 31, 2021, and the twelve months ended December 31, 2019, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

The Lieutenant Governor in Council prescribed a change in year-end for the APMC from December 31 to March 31 under an Order in Council (O.C. 052/2021). Accordingly, these consolidated financial statements present the APMC's financial position as at March 31, 2021, and the results of its operations and changes in its financial position for the fifteen month period then ended. Comparative information presented in these consolidated financial statements is for the twelve month fiscal year, which ended December 31, 2019. As such, amounts in the consolidated financial statements are not entirely comparable.

The APMC operates under the authority of the Petroleum Marketing Act, Chapter P-10, Revised Statutes of Alberta 2000, and the *Natural Gas Marketing Act*, Chapter N-1, Revised Statutes of Alberta 2000. Pursuant to Alberta legislation, the APMC as an agent of Her Majesty the Queen in right of Alberta (the "Province"), as represented by the Department of Energy ("DOE"), accepts delivery of and markets the Province's royalty share of crude oil. This is achieved through the APMC receiving crude oil in kind from producers on behalf of the DOE and transferring the proceeds from the sale of the crude oil back to the DOE. These consolidated financial statements disclose the transactions the APMC incurs while acting as an agent on behalf of the DOE.

The *Petroleum Marketing Act* was amended on January 10, 2014. The amendments provided the Minister of Energy with new power to give directions to APMC; modernized and improved the basic corporate rules under which APMC operates, including the ability to appoint up to seven directors, some of whom may be from outside the public service; clarified financial tools available to APMC and ensured proper Crown controls on the use of these tools.

The APMC's mandate has been enhanced to include engaging in other commercial activities relating to energy products in the public interest; expanding access to global energy markets; maximizing the long-term sustainable value of the Crown's resources; and marketing the Crown's share of conventional oil, natural gas, and bitumen. These amendments promote a transparent, competitive, and efficient market for Alberta's energy resources. In alignment with the updated mandate is the APMC's continued involvement with North West Redwater Partnership ("NWRP") and the Sturgeon Refinery, and the APMC's commitment to providing financial support for the construction of the KXL Expansion Pipeline ("KXL Expansion Project") through newly created subsidiaries in 2020.

The APMC operates a business development group to identify and analyze business ideas and proposals that provide strategic value to Alberta and are financially feasible.

As an agent of the Government of Alberta, the APMC is not subject to Canadian federal or provincial corporate income taxes.

Financial Highlights

		For Fifteen Months Ended March 31, 2021		For Twelve Months Ended December 31, 2019
SELECTED FINANCIAL RESULTS (thousands of Canadian dollars)				
Revenues				
Refinery sales	$	1,131,367	$	-
Marketing fee income		5,256		6,747
Finance income		55,703		61,726
Total revenue		1,192,326		68,473
Selected expenses				
Refinery feedstock purchases		909,227		-
Refinery tolls		837,150		201,011
General and administrative expenses		18,940		6,621
Finance expense		179,983		14,805
Foreign exchange loss		36,825		-
Provisions for Sturgeon Refinery		603,916		1,727,025
KXL Expansion Project loss on investment and debt guarantee		1,290,833		-
Net loss and comprehensive loss		(2,691,078)		(1,881,521)
Total assets		1,321,162		759,732
Total liabilities		5,963,236		2,710,728
Deficiency		(4,642,074)		(1,950,996)

When comparing the fiscal year 2021 to the comparative 2019 year, the transformation undertaken by the APMC is significant, as evidenced by the change in the financial results as outlined in the preceding table. The fiscal year ended March 31, 2021, reflects the Sturgeon Refinery (the "Refinery") attaining its Commercial Operations Date ("COD") on June 1, 2020, and the agreement with TC Energy to support the Keystone XL Pipeline Expansion Project was executed in March 2020. The APMC has separated its commercial activity into reportable accounting segments based on differences in products and support services offered under its mandate to facilitate a transparent understanding of the changes. Accordingly, the APMC's operating segments consist of conventional crude marketing operations, the Sturgeon Refinery, and the KXL Expansion Project.

These reportable segments of the APMC have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the APMC's chief operating decision maker, identified as the Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. As a result, the APMC provides financial information on revenues and expenses of each segment, but not total assets or liabilities by segment.

Operations Review by Reportable Segment

Conventional Crude Oil Marketing Operations

(in thousands of dollars, except as noted)

		For Fifteen Months Ended March 31, 2021		For Twelve Months Ended December 31, 2019
Operations Highlights				
Net volumes sold (bbl/d)		23,063		38,066
Dollars to be remitted to the Crown		423,825		870,778
Realized price (Cdn$/bbl)		40.30		62.67
Financial Results				
Revenues				
Marketing fee income	$	5,256	$	6,747
Finance income		291		138
		5,547		**6,885**
Expenses				
General and administrative expenses		7,682		6,621
Amortization		1,331		532
Foreign exchange loss		88		-
		9,101		**7,153**
Net loss	**$**	**(3,554)**	**$**	**(268)**

The Government of Alberta takes its conventional crude oil royalties in kind. APMC monetizes these barrels in the market. Approximately 10 per cent of the marketing of conventional crude oil royalties is undertaken directly by the APMC staff, while the remainder is marketed indirectly through our agent. The royalty in-kind barrels are aggregated and sold at Alberta's trading hubs (Edmonton and Hardisty) through month-to-month or evergreen type arrangements.

Under the *Petroleum Marketing Act* and its regulations, producers are obligated to transfer their royalty share to the APMC at field delivery batteries. Producers split out the royalty share to either APMC or APMC's agent. On the 25th of each month, the APMC settles all contracts, validates the transactions on behalf of the government, and transfers the money collected to Treasury Board and Finance.

APMC sets the Alberta Oil Par Prices, which determines the royalty volume payable by the Royalty Producers to the Crown. With higher Oil Par Prices, the royalty volume payable is greater, and with lower Oil Par Prices, the royalty volume payable is lesser. Par Prices for the 15 months ended March 31, 2021, were much lower than 2019 due to oil demand reduction related to the COVID pandemic.

The average net volumes for the period ended March 31, 2021, were 23,063 barrels per day ("bbl/d"), reflecting a 39 per cent decrease from 38,066 bbl/d for the period ended December 31, 2019. The associated net realized prices for the fiscal period ended March 31, 2021, was $40.30/bbl, reflecting a decrease of 36 per cent from $62.67/bbl as realized for the year ended December 31, 2019, resulting in total dollars remitted to the Crown decreasing by 51 per cent. The reduction in royalty volumes was due to lower Alberta Oil Par Prices and lower crude oil production volumes in Alberta. Lower royalty volumes resulted in lower Marketing fee income for APMC.

The APMC terminated the contract with its agent effective March 31, 2021. Effective April 1, 2021, it began marketing 100 per cent of the conventional crude royalty barrels, hired additional staff, and upgraded its systems to fulfill these responsibilities.

The increase in general and administrative expenses from $7.7 million for the fifteen months ended March 31, 2021 versus $6.6 million for the twelve months ended December 31, 2019 is due to the longer time frame being compared.

Amortization of computer software for the fifteen months ended March 31, 2021, increased to $1.3 million from $0.5 million for the twelve months ended December 31, 2019, due to the software implementation project going live July 1, 2019. In 2019, there were only six months of amortization versus fifteen months for the current period.

Sturgeon Refinery

(in thousands of dollars, except as noted)

	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
Operations Highlights		
Sales volumes, Ultra-Low Sulphur Diesel (bbls)	6,989,379	-
Average sales price, Ultra-Low Sulphur Diesel ($/bbl)	70.17	-
Sales volumes, Diluent (bbls)	6,630,607	-
Average sales price, Dliuent ($/bbl)	61.78	-
Financial Results and Highlights		
Revenues		
Refinery sales	$ 1,131,367	$ -
Finance income	55,412	61,588
	1,186,779	**61,588**
Expenses		
Refinery feedstock purchases	909,227	-
Refinery tolls	837,150	201,011
General and administrative expenses	6,151	-
Finance expense	178,144	14,805
Foreign exchange loss	1,988	-
Provisions for Sturgeon Refinery	603,916	1,727,025
	2,536,576	**1,942,841**
Net loss	**$ (1,349,797)**	**$ (1,881,253)**
Sturgeon Refinery Processing Agreement Provision		
Current liability	550,000	143,743
Non current liability	1,944,000	1,583,257
Total	**$ 2,494,000**	**$ 1,727,000**

APMC has a 30 year tolling arrangement (with perpetual five-year renewal rights) with NWRP for 75 per cent of the Sturgeon Refinery capacity, which began June 1, 2018. Under the Processing Agreement, NWRP will process 37,500 barrels per day of bitumen feedstock for the APMC.

NWRP is a general partnership formed by CNR (Redwater) Limited (formerly Canadian Natural Upgrading Limited), a wholly-owned subsidiary of CNRL, and NWU LP, an indirect wholly-owned subsidiary of North West Refining Inc. The partners each have a 50 per cent partnership interest in NWRP.

The Sturgeon Refinery reached COD on June 1, 2020. Under the Processing Agreements, NWRP processes bitumen and sells the refined products on behalf of APMC and CNRL (collectively, the Toll Payers). As required by the terms of the Processing Agreements, a trust account (the Initial Proceeds Trust Account or "IPTA") has been established to facilitate the payments to and from the Toll Payers and NWRP. APMC has exercised judgment in determining that the IPTA is a joint operation in which it has a 75 per cent interest in the assets, liabilities, revenue, and expenses. Accordingly, it records its 75 per cent interest within the financial statements.

Sales consist of ultra-low sulphur diesel, diluent, unconverted crude oil, other refined products, carbon dioxide ("CO^2"), and sulphur.

The Sturgeon Refinery uses gasification to convert the heavy bitumen bottoms (a substantial waste product of bitumen) into both the hydrogen required for refinery operations and a pure, dry CO^2 stream that is cost effectively captured instead of vented into the atmosphere, eliminating as much as 70 per cent of the refinery's total CO^2 footprint at optimum capacity. This captured CO^2 is then sold to third parties for enhanced oil recovery and permanent storage and provides a pathway to one of the lowest carbon intensity types of diesel available.

The Sturgeon Refinery is a natural hedge for the Government of Alberta in that the refinery provides better economic results when West Texas Intermediate crude oil ("WTI") to Western Canadian Select crude oil ("WCS") differentials widen, offsetting the lower crown royalties received concurrently when WTI-WCS differentials widen. In addition, the Sturgeon Refinery alleviates some of the takeaway capacity constraints within the province.

APMC purchases refinery feedstock from third-party producers of bitumen. The refinery tolls consist of amounts related to senior debt, operations, and Class A subordinated debt.

Finance expense increased to $178.1 million for the fifteen months ended March 31, 2021, compared to $14.8 million for the twelve months ended December 31, 2019. The increase is attributable to $163.6 million of accretion related to the onerous contract provision.

General and administrative expenses were recorded once the Sturgeon Refinery achieved COD and consists primarily of consulting expenses.

Due to the structure of the Processing Agreements, the APMC recognized a non-cash loss provision of $604 million in 2021, bringing the cumulative provision to $2.5 billion. The APMC uses a cash flow model to determine if the unavoidable costs of meeting the obligations under the NWRP Processing Agreement exceed the economic benefits expected to be received in determining the loss provision related to an onerous contract. This calculation is performed annually and reflects the negative impact of the depressed commodity prices caused by the COVID pandemic, currency exchange rates, and the duration of planned facility turnarounds being longer than expected.

APMC uses the Government of Alberta's budget forecast values for WTI, WCS, condensate, and foreign exchange to calculate the net present value. The single largest contributor to the decrease (74 per cent) in the net present value of the contract year over year is due to lower forecasted future WTI prices for the life of the refinery and a significant narrowing of the Diesel-WCS spread for 2020 to 2022. Diesel prices are calculated as a premium to WTI. Feedstock prices are calculated as a percentage discount to WTI. Therefore, with lower WTI prices, the net present value will be less.

The two most impactful pricing variables to the net present value of the contract are forecasted WTI prices and foreign exchange rates. The net present value of the contract has a sensitivity to changes in WTI of +/- $134 million for every dollar change from the WTI forecast and to changes in foreign exchange. For every $0.01 the Canadian dollar changes from the forecast, there is a +/- $117 million change to the net present value of the contract. If the Canadian dollar weakens in relation to the U.S. dollar, there is a positive impact on the net present value of the contract. Conversely, if the Canadian dollar strengthens in relation to the U.S. dollar, there is a negative impact on the net present value.

As the province begins to recover from the COVID pandemic, increased commercial activity will promote improved commodity prices. As a result, the APMC anticipates seeing improved operating economics and cash flows from the refinery into the future.

KXL Expansion Project

(in thousands of dollars, except as noted)

	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
Financial Results and Highlights		
Expenses		
General and administrative expenses	$ 5,107	$ -
Finance expense	1,839	-
Foreign exchange loss	34,749	-
Loss allowance for KXL Expansion Project Debt Guarantee	1,035,002	-
Fair value loss on investment in KXL Expansion Project	255,831	-
	1,332,528	**-**
Loss before income taxes	(1,332,528)	-
Income taxes	5,199	-
Net loss	(1,337,727)	-
Non current asset		
Investment in KXL Expansion Project	$ 106,000	$ -
Current liabilities		
KXL Expansion Project Debt Guarantee	$ 1,032,002	$ -

General and administrative expenses consist of legal and consulting expenses.

The foreign exchange loss was attributable to holding US dollar investments and a significant weakening of the US dollar from March 2020 until January 2021, when the US Class A Interests were sold.

An Investment Agreement between TransCanada Pipeline Ltd., a wholly owned subsidiary of TC Energy Corporation (collectively referred to as “TC Energy”), and the APMC was executed on March 31, 2020. The APMC, through its newly created subsidiaries, agreed to extend financial support of up to US $5.3 billion (CAD $7.5 billion on the date the agreement was signed), beginning with an equity commitment of up to US $1.06 billion in 2020 for the KXL Expansion Project. Under the agreement, equity contributions were only to be provided up to December 31, 2020, and the contributions totaled CAD $1.04 billion. The balance of the support is in the form of a debt guarantee by the APMC to backstop the financing by TC Energy affiliated entities for the KXL Expansion Project.

In 2020, the APMC subsidiaries used the capital contributions received from the APMC to invest in partnership interests of entities affiliated with TC Energy. In return for the capital contributions in the partnership, Class A Interests were issued to the contributing subsidiaries according to their contributions. Class A Interests rank above TC Energy’s equity investment in the entities and have specific voting rights. Capital contributions contributed up to March 31, 2026, earn a return in accordance with contractual terms. This return accrues quarterly and adjusts the carrying value of the Class A Interests, which are subject to call rights which enable TC Energy affiliated entities to repurchase the Class A Interests at any time and put rights enabling APMC to sell the Class A Interests subsequent to the in-service date of the Keystone XL pipeline if certain conditions are met.

During the fifteen months ended March 31, 2021, a return in the form of accretion of $11.8 million (2019 – nil) was earned on the Canadian Class A Interests, and $21.5 million (US $16.4 million) (2019 – nil) was earned on the US Class A Interests for a total of $33.3 million (2019 – nil) which has been recorded as part of the net change in the fair value of the investment. Accretion earned to date on the Canadian Class A Interests may not be recoverable as the fair value of the investment has been written down as discussed later in this note.

On January 8, 2021, TC Energy exercised the repurchase right to purchase substantially all of the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. for $631.8 million (US $497.2 million) by drawing on the TC Energy credit facility guaranteed by APMC.

On January 20, 2021, U.S. President Biden revoked the Presidential Permit for the cross-border portion of the Keystone XL Pipeline. As a result of this, TC Energy has suspended the advancement of the Keystone XL pipeline project. The APMC, along with TC Energy, began assessing the implications of the revocation and considering their options. The APMC has ceased accruing a return on the remaining Class A Interests and has incurred a loss on the estimated fair value of its investment.

Subsequent to the year end, on June 9, 2021, the APMC, as directed by the Alberta Government, and TC Energy have reached an agreement for an orderly exit from the KXL project and partnership (the “Final KXL Agreement”). The two parties will continue to explore all options to recoup the government’s investment in the project. Final costs to the government are expected to be approximately $1.3 billion.

The Final KXL Agreement provided for the following items as clarification and an exit from the original agreements. APMC provided total contributions of CAD $1.035 billion on behalf of the TC Energy partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement. The debt guarantee cancellation payments were paid on June 16, 2021, and APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. In exchange for APMC making the guarantee cancellation payments through its wholly owned Canadian and US subsidiaries, Class C Interests were received from the TC Energy partnerships. The Class C Interests received on June 16, 2021, do not have any put rights, voting rights, or approval rights with respect to the business and affairs of the TC Energy partnerships or carriers. The previous Class A Interests were redeemed for a nominal amount on June 16, 2021. The Final KXL Agreement also provides a mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TC Energy. APMC has reflected the terms of the Final KXL Agreement in determining its estimates for the Investment in the KXL Expansion Project and the KXL Expansion Project Debt Guarantee in the consolidated financial statements as at March 31, 2021.

The fair value of the KXL Investment as at March 31, 2021 of $106 million was estimated by using a market approach to value Keystone XL Phase 4 pipeline assets under an abandonment scenario incorporating inputs for the estimated realizable value of the assets.

Pursuant to the Investment Agreement between TC Energy and APMC, the APMC has provided a debt guarantee related to the financing of TC Energy affiliate entities, in which an APMC subsidiary has partnership interests, for the KXL Expansion Project (the “Guarantee”). The Guarantee Agreement was effective January 4, 2021, and is in effect for the entire term to maturity of the TC Energy credit facility. The maturity date applicable to lending under the facility was January 4, 2024. On March 26, 2021, TC Energy reduced the total amount available under the credit facility from US $4.1 billion to US $1.6 billion under the negotiated amendments. As at March 31, 2021, $854.7 million was the principal amount drawn on the debt at that date. Management’s expectation was that there was a significant risk that the borrowers were likely to default on the debt on or before the middle of June 2021. Thus, it would be likely that APMC will have a credit loss pursuant to its obligations under the Guarantee.

In the event of any debt guarantee cancellation payment made under the debt guarantee, subsidiaries of the APMC that are partners of the TC Energy partnerships would be granted Class C interests in the TC Energy partnerships. Such Class C interests rank higher than Class A interests in preference in the event of a liquidation and dissolution of the TC Energy partnerships. In addition, TC Energy has agreed to indemnify the APMC for any debt financing costs included in any debt guarantee cancellation payments made by the APMC under the debt guarantee.

The maximum exposure to credit risk relating to a guarantee is defined as the maximum risk of loss if there was a total default by the debt holder. As at March 31, 2021, the undiscounted maximum exposure to credit loss as a result of debt guaranteed by APMC is CAD $1.035 billion, which represents the amount of the debt guarantee cancellation payments that were paid on June 16, 2021, under the Final KXL Agreement. As a result, an expected credit loss provision for expected losses on these guarantees of $1.035 billion has been recognized as a current liability.

During the fifteen month period ended March 31, 2021, the APMC recorded $5.2 million (2019 – nil) of income tax expense due to the Internal Revenue Service ("IRS") in the United States. During that 2021 period, accretion income of $21.5 million (US $16.5 million) was earned on the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. (the “US subsidiary”). US corporate taxes were due on the accretion income earned by the US subsidiary, and an intercorporate dividend distributed the remainder to the Canadian holding company, 2254746 Alberta Ltd., which also resulted in withholding taxes being paid to the IRS. The total of the US corporate taxes and withholding taxes paid to the IRS of $5.2 million has all been expensed, as it is uncertain that any of the withholding taxes will be recoverable.

Review of Financial Position

In addition to the business segment discussion, the following outlines the APMC’s significant balance sheet items as of March 31, 2021, and December 31, 2019.

Cash

(in thousands of Canadian dollars, except as noted)

As at		March 31, 2021		December 31, 2019
Cash and cash equivalents	$	195,180	$	13,415
Cash held in trust		11,282		-
	$	**206,462**	**$**	**13,415**

Cash and cash equivalents as at March 31, 2021, were $195.2 million (2019 - $13.4 million). Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (the “Fund”) managed by Alberta Investment Management Corporation to provide competitive interest income while maintaining appropriate security and liquidity of depositors’ capital. The Fund is comprised of high quality short-term fixed income securities with a maximum term to maturity of one year. For the fifteen months ended March 31, 2021, the APMC earned $0.4 million (2019 - $0.2 million) with a rate of return of 0.29% per annum (2019 – 1.82% per annum). Due to the nature of Fund investments, the carrying value approximates fair value.

The increase in cash and cash equivalents from December 31, 2019, to March 31, 2021, was primarily due to the timing of receipt of $631.8 million (US $497.2 million) in January 2021 following the repurchase of the KXL Expansion Project US Class A interests by TC Energy. The funds received from TC Energy were primarily used to repay maturing tranches of short term debt owing to the government.

Cash held in trust is restricted and held on behalf of the Sturgeon Refinery Toll payers, namely APMC and CNRL. The amount reported is the portion attributable to APMC. The APMC does not have immediate access to the cash held in the trust account. The cash is to be used for funding the Sturgeon Refinery processing operations and for paying all tolls. Any cash distributions will be in accordance with the Processing Agreement.

Cash held in trust was $11.3 million as at March 31, 2021, compared to $nil at December 31, 2019. The increase between periods was due to the COD for the Sturgeon Refinery being achieved on June 1, 2020.

Accounts receivable

(in thousands of Canadian dollars, except as noted) As at	March 31, 2021	December 31, 2019
Crude oil marketing	$ 52,981	$ 84,216
Sturgeon Refinery product sales	349,471	-
	402,452	84,216
Credit loss provision	(474)	(220)
Net accounts receivable	**$ 401,978**	**$ 83,996**

Accounts receivable is comprised of receivables from crude oil royalty marketing transaction activities on behalf of the Government of Alberta and receivables from Sturgeon Refinery product sales.

As at March 31, 2021, there was $53.0 million (2019 – $84.2 million) of accounts receivable for marketing transaction activities, primarily for the March 2021 delivery month, which will be cash settled on April 25, 2021, and financial settlements (e.g. billing of under delivered volumes, penalties and interest). The primary reason for the decrease in accounts receivable for marketing transaction activities was a significant reduction in royalty volumes from lower Alberta Oil Par Prices. In addition, there was a general reduction in producer crude oil volumes from lower industry activity in Alberta, despite more recent increases in commodity prices. The WCS crude oil price was $64.03/bbl in March 2021, a 25 per cent increase from $51.34/bbl in December 2019. The WTI crude oil price was US $62.36/bbl in March 2021, an increase of four per cent from December 2019. WCS differentials were US $11.42/bbl in March 2021, narrowed from US $20.83/bbl in December 2019.

The Sturgeon Refinery accounts receivable balance at March 31, 2021, was $349.5 million compared to nil at December 31, 2019, reflecting the COD being achieved June 1, 2020. This account receivables balance consists primarily of the sale of refined products delivered in March 2021 with receivable terms not greater than net 21 days.

As of March 31, 2021, the credit loss provision was $0.5 million, an increase of $0.3 million compared to $0.2 million as at December 31, 2019.

Inventory

(in thousands of Canadian dollars, except as noted) As at	March 31, 2021	December 31, 2019
Current	$ 51,711	$ -
Non current	6,877	-
	$ 58,588	**$ -**

The APMC recognized inventory in the 2021 period as a result of the Sturgeon Refinery achieving COD on June 1, 2020. Current inventory is expected to be sold within the next twelve months, and includes blended feedstock, intermediates, and products, and is carried at the lower of cost and net realizable value. Non-current inventory consists of line fill and tank bottoms which the APMC does not anticipate selling these volumes in the next 12 months.

Term loan receivable

(in thousands of Canadian dollars, except as noted)

	March 31, 2021	December 31, 2019
Balance, beginning of period	$ 652,470	$ 590,918
Interest accrued	55,275	61,552
Repayments	(167,851)	-
	539,894	652,470
Credit loss provision	(541)	(261)
Less: current portion	(39,776)	-
Non current portion, end of period	**$ 499,577**	**$ 652,209**

In 2013, APMC and CNRL agreed, each with a 50 per cent interest, to provide subordinated debt to North West Redwater Partnership, bearing interest at prime plus six percent, compounded monthly, as required for Sturgeon Refinery project costs to reflect an agreed debt to equity ratio of 80/20. Per the loan agreement, starting one year after COD (in July 2021), NWRP will make repayments of the loan principal as well as the interest that accrued before COD. These repayments will occur over ten years, and the term loan will be fully repaid in June 2031. In addition, NWRP commenced making current interest payments on June 1, 2020.

Six months after COD, a true up of the subordinated debt occurred, resulting in NWRP repaying principal of $124.1 million on the term loan to the APMC. For the fifteen months ended March 31, 2021, APMC received $43.8 million (2019 – nil) in interest payments. As at March 31, 2021, each party has provided $539.9 million, including accrued interest (2019 - $652.5 million, including accrued interest) of subordinated debt).

While the loan to NWRP is outstanding, APMC is entitled to a 25 per cent voting interest on the Executive Leadership Committee (ELC), which is charged with overseeing and making decisions on the operations of the Sturgeon Refinery. CNRL and North West Refining Inc. have 50 and 25 per cent voting interests on the ELC, respectively.

Accounts payable

(in thousands of Canadian dollars, except as noted)

As at	March 31, 2021	December 31, 2019
Crude oil marketing	$ 8,938	$ 36,184
Sturgeon Refinery product sales	462,683	-
Trade payables	471,621	36,184
US income tax payable	4,331	-
Net accounts receivable	**$ 475,952**	**$ 36,184**

Trade Accounts Payable are comprised of payables from crude oil royalty marketing transactions and Sturgeon Refinery activities. As at March 31, 2021, there was $8.9 million (2019 – $36.2 million) of accounts payable for marketing activities primarily for the March 2021 delivery month, which were cash settled on April 26, 2021.

The decrease in accounts payable from marketing activities from December 31, 2019 to March 31, 2021, was due to a significant reduction in royalty volumes from lower Alberta Oil Par Prices. There was also a general reduction in producer crude oil volumes from lower industry activity in Alberta, despite more recent increases in commodity prices.

The Sturgeon Refinery accounts payable balance at March 31, 2021, was $462.7 million compared to nil at December 31, 2019, reflecting the COD being achieved June 1, 2020. This account payables balance relates to Sturgeon Refinery activities consisting of the purchase of refinery feedstock, processor tolls, and optimization transactions delivered in March 2021. The purchases of refinery feedstock are settled on April 26, 2021. The processor tolls and optimization transactions are net settled against refined product sales proceeds on April 26, 2021.

Due to the Department of Energy

Due to the DOE was $58.6 million as at March 31, 2021, compared to $84.6 million at December 31, 2019, or a reduction of $26.0 million. The realized price for March 31, 2021, deliveries of Western Canadian Select crude oil was $62.36/bbl compared to $51.34/bbl in December 2019. The decrease in the balance owing to the DOE from December 31, 2019 to March 31, 2021 was due to a significant reduction in royalty volumes from lower Alberta Oil Par Prices. As well, there was a general reduction in producer crude oil volumes from lower industry activity in Alberta, despite more recent increases in commodity prices.

Liquidity Management

The APMC entered into a Lending and Borrowing Agreement with the Government of Alberta effective April 1, 2014. The agreement provides the framework under which APMC may, from time to time, request the Government of Alberta to lend money to the APMC. The Government of Alberta and APMC must obtain an Order in Council (approved by the Lieutenant Governor in Council) to authorize the lending and borrowing dollar limits. Treasury Board and Finance is the government unit responsible for lending on behalf of the Government of Alberta.

As at March 31, 2021, the balance of short term debt was $1.9 billion as compared to $855.0 million at December 31, 2019. The accrued interest on short term debt was $3.0 million at March 31, 2021 compared to $7.9 million at December 31, 2019. The $1.0 billion net increase in short term debt owing at March 31, 2021 compared to December 31, 2019 was due to an increase of $453.5 million of debt related to the Sturgeon Refinery and $588.1 million of debt related to the KXL Expansion Project.

The APMC has an Order in Council that allows it to borrow up to $1.5 billion for funding related to the Sturgeon Refinery. As at March 31, 2021, the APMC has $1.3 billion (December 31, 2019 - $855.0 million) outstanding at various interest rates ranging from 0.170% to 0.550%. The tranches of borrowing are repayable over various terms not exceeding one year. As of March 31, 2021, the undrawn amount on the Order in Council totals $191.4 million.

Subsequent to March 31, 2021, the APMC borrowed additional funds of $237.0 million for the Sturgeon Refinery from Treasury Board and Finance. The interest rates associated with these borrowings range from 0.0608 per cent to 0.1444 per cent. The tranches of these borrowings are repayable over various terms maturing at between April 29, 2021 and July 26, 2021. During this same period, the APMC repaid Treasury Board and Finance $40.0 million related to the Sturgeon Refinery.

The APMC has an Order in Council in place that allows it to borrow up to $2.0 billion for the Investment of the KXL Expansion Project. As at March 31, 2021, $588.1 million (December 31, 2019 - nil) is outstanding at various interest rates ranging from 0.240 per cent to 0.700 per cent. The tranches of borrowing are repayable over various terms not exceeding one year. As of March 31, 2021, the undrawn amount on the Order in Council totals $1.4 billion. Should the debt guarantee on the KXL Expansion Project be called, the APMC anticipates having sufficient capacity within the existing Order in Council to fulfill this potential obligation. Subsequent to March 31, 2021, the APMC repaid Treasury Board and Finance $183.3 million related to the KXL Expansion Project.

On June 9, 2021, APMC and TC Energy, as directed by the Alberta Government, have reached an agreement for an orderly exit from the KXL project and partnership. The two parties will continue to explore all options to recoup the government's investment in the project. Final costs to the government are expected to be approximately $1.3 billion.

Organizations that are controlled by the government are either government business enterprises or other government organizations. Government business enterprises are required to apply IFRS, whereas other government organizations are provided with a choice for the basis of presentation. The APMC has exercised judgment and determined that it is a government business enterprise because it is a separate legal entity and has been delegated financial and operational authority to carry on a business. In 2013, the APMC's mandate was expanded, and it is expected through its involvement with other marketing activities, such as the Sturgeon Refinery and KXL Expansion Project, that it can provide services, maintain its operations, and meet liabilities from sources outside of the government reporting entity.

Commitments

(in millions)	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Beyond March 2026	Total
NWRP Tolls	$ 1,076	$ 1,139	$ 1,014	$ 1,042	$ 1,019	$ 21,123	$ 26,413

NWRP Tolls:

Under the Processing Agreement, after COD, the APMC is obligated to pay a monthly toll comprised of: senior debt; operating; Class A subordinated debt; equity; and incentive fees on 37,500 barrels per day of bitumen (75 per cent of the project's feedstock). The Sturgeon Refinery attained COD on June 1, 2020. The agreement has a term of 30 years, starting with the Toll Commencement Date (June 1, 2018). The nominal tolls under the agreement assume flow-through costs and costs related to facility construction, estimated to be $10.0 billion (2019 - $10.1 billion), market interest rates, and a two per cent operating cost inflation rate.

The APMC has very restricted rights to terminate the agreement, and if it is terminated, the APMC remains obligated to pay its share of the senior secured debt component of the toll incurred to date.

The tolls are undiscounted and do not consider the net margin received on the sale of APMC's bitumen feedstock. The tolls remain in effect to the maturity of the Processing Agreement, which is May 31, 2048.

The reduction in remaining toll commitments from $26.6 billion at December 31, 2019, to $26.4 billion at March 31, 2021, reflects 15 months of tolls falling off the calculation offset by higher operating costs related to increased carbon taxes.

Crude by Rail

In February 2019, APMC was directed by the Minister of Energy to proceed with the execution of a Crude by Rail program to enable the Government of Alberta to move 120,000 barrels per day of bitumen and diluted bitumen to markets outside the Province of Alberta. The program was designed to move approximately 125 million barrels of crude in just over three years, bridging the gap until Kinder Morgan TransMountain Pipeline and TC Keystone XL Expansion Pipeline are built. After the change in Government in April 2019, APMC received direction in May 2019 from the Minister of Energy to assign the Crude by Rail contracts to industry and not operate the program. At the end of 2019, APMC had successfully divested a majority of the Crude by Rail loading facility commitments and had entered a binding agreement to divest the balance of the Crude by Program. Through 2020, the process to divest contracts was delayed due to adverse market conditions related to the OPEC+ price war and the global COVID pandemic. APMC expects to complete the process of divesting and/or terminating its contracts by the end of the year. APMC acts as an agent for the Minister of Energy to facilitate this process. Accordingly, APMC's consolidated financial statements exclude the recognition of any assets, liabilities, revenue, expenses, or obligations related to the crude by rail program.

Critical Accounting Estimates and Accounting Policies

The preparation of the consolidated financial statements in conformity with IFRS requires the APMC to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies, if any, at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Estimates are subject to measurement uncertainty, and changes in such estimates in future years could require a material change in the consolidated financial statements. Estimates and judgements are continuously evaluated and based on the APMC's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Refer to Note 4 of the APMC's audited consolidated financial statements for the fifteen months ended March 31, 2021, for a description of critical accounting estimates and judgments.

No accounting policy changes were implemented in the fifteen months ended March 31, 2021.

Risk Management

APMC recognizes that risk is present in its business activities and that risk management is critical in maximizing performance and helping APMC achieve its strategic objectives.

Risk management is the culture, capabilities, and practices integrated within strategy setting and execution, influenced by APMC's Board of Directors, executive management, and staff. It is a continuous process applied strategically across the APMC in its day-to-day operations, designed to identify, assess and prioritize potential events that could affect APMC's performance and enable the APMC to respond to and monitor key risks.

Quarterly, management provides the Board of Directors with analysis of the most impactful risks, a Risk Assessment Heat Map, and a complete Risk Register for their review.

Forward-Looking Information

Certain information contained herein is forward-looking information and relates to, among other things, the timing for completing the process of divesting and/or terminating the contracts under the Crude by Rail program on behalf of the Government of Alberta and the expectation of final costs to the Government of Alberta for the investment in the KXL Expansion project. Forward-looking information typically contains statements with words such as "anticipate," "believe," "expect," "target," or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties that could cause the APMC's actual results and experience to differ materially from the anticipated results. Such risks and uncertainties include, but are not limited to: the commodity prices and all other risks impacting the energy sector in North America; and the ability of the APMC to successfully implement the initiatives referred to herein.

Alberta Petroleum Marketing Commission

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

For the Fifteen Months Ended March 31, 2021
and the Twelve Months Ended December 31, 2019

ALBERTA PETROLEUM MARKETING COMMISSION

Consolidated Financial Statements and Notes
As at March 31, 2021 and December 31, 2019 and
For the fifteen months ended March 31, 2021 and the twelve months ended December 31, 2019

Table of Contents

ALBERTA PETROLEUM MARKETING COMMISSION

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Alberta Petroleum Marketing Commission (APMC) have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements necessarily include some amounts that are based on informed judgments and best estimates of management.

Management has developed and implemented appropriate systems of internal controls and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the consolidated financial statements are free from material misstatements.

The Auditor General of Alberta, APMC's external auditor, appointed under the *Auditor General Act*, performed an independent external audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the accompanying Independent Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Audit Committee. The Board of Directors is comprised of Directors who are not employees of APMC.

The Audit Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that the committee's responsibility has been properly discharged. The Audit Committee has reviewed the consolidated financial statements and has recommended their approval by the Board.

[Original signed by Adrian Begley]
Chief Executive Officer

[Original signed by Leanne Gress-Blue]
Vice President, Finance

June 17, 2021

Auditor General
OF ALBERTA

Independent Auditor's Report

To the Board of Directors of the Alberta Petroleum Marketing Commission

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Alberta Petroleum Marketing Commission (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in deficiency, and cash flows for the fifteen month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its financial performance, and its cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 17, 2021
Edmonton, Alberta

ALBERTA PETROLEUM MARKETING COMMISSION

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

As at	Note		March 31, 2021		December 31, 2019
			Note 2(b)		Note 2(e)
ASSETS					
Current assets					
Cash and cash equivalents	5	$	195,180	$	13,415
Cash held in trust	6		11,282		-
Accounts receivable	7		401,978		83,996
Inventory	8		51,711		-
Term loan receivable	11		39,776		-
			699,927		**97,411**
Non current assets					
Inventory	8		6,877		-
Intangible assets	9		8,781		10,112
Investment in KXL Expansion Project	10		106,000		-
Term loan receivable	11		499,577		652,209
		$	**1,321,162**	**$**	**759,732**
LIABILITIES					
Current liabilities					
Accounts payable	12	$	475,952	$	36,184
Due to the Department of Energy	13		58,642		84,586
KXL Expansion Project Debt Guarantee	14		1,035,002		-
Short term debt	15		1,896,639		855,043
Accrued interest on short term debt	15		3,001		7,915
Sturgeon Refinery Processing Agreement provision	16		550,000		143,743
			4,019,236		**1,127,471**
Non current liabilities					
Sturgeon Refinery Processing Agreement provision	16		1,944,000		1,583,257
			5,963,236		**2,710,728**
DEFICIENCY			(4,642,074)		(1,950,996)
		$	**1,321,162**	**$**	**759,732**

Commitments (Note 19)

The accompanying notes are an integral part of these consolidated financial statements.

ALBERTA PETROLEUM MARKETING COMMISSION

Consolidated Statement of Loss and Comprehensive Loss

(in thousands of Canadian dollars)

	Note	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
		Note 2(b)	Note 2(e)
Revenues			
Refinery sales		$ 1,131,367	$ -
Marketing fee income		5,256	6,747
		1,136,623	6,747
Finance income		55,703	61,726
		1,192,326	**68,473**
Expenses			
Refinery feedstock purchases		909,227	-
Refinery tolls		837,150	201,011
General and administrative expenses	23	18,940	6,621
Amortization		1,331	532
Finance expense		179,983	14,805
Foreign exchange loss		36,825	-
Provisions for Sturgeon Refinery	16, 17	603,916	1,727,025
Loss allowance for KXL Expansion Project Debt Guarantee	14	1,035,002	-
Fair value loss on investment in KXL Expansion Project	10	255,831	-
		3,878,205	**1,949,994**
Loss before income taxes		(2,685,879)	(1,881,521)
Income taxes	18	5,199	-
Net loss and comprehensive loss		**$ (2,691,078)**	**$ (1,881,521)**

The accompanying notes are an integral part of these consolidated financial statements.

ALBERTA PETROLEUM MARKETING COMMISSION

Consolidated Statement of Changes in Deficiency
For the fifteen months ended March 31, 2021 and twelve months ended December 31, 2019
(in thousands of Canadian dollars)

Deficiency, January 1, 2019	$	(69,475)
Net loss and comprehensive loss for the year		(1,881,521)
Deficiency, December 31, 2019		**(1,950,996)**
Net loss and comprehensive loss for the period		(2,691,078)
Deficiency, March 31, 2021	**$**	**(4,642,074)**

The accompanying notes are an integral part of these consolidated financial statements.

ALBERTA PETROLEUM MARKETING COMMISSION

Consolidated Statement of Cash Flows
(in thousands of Canadian dollars)

	Note	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
Operating activities			
Net loss and comprehensive loss		$ (2,691,078)	$ (1,881,521)
Non cash items included in net loss			
Accrued interest on term loan	11	(55,275)	(61,552)
Accrued interest on short term debt		16,393	14,805
Amortization of intangible assets	9	1,331	532
Fair value loss on investment in KXL Expansion Project	10	255,831	-
Foreign exchange loss	10	42,512	-
Change to loss provision for accounts receivable	17	28	67
Change to loss provision for term loan receivable	17	280	25
Change to loss provision for accounts receivable - Sturgeon Refinery	17	226	-
Change to loss provision for Sturgeon Refinery Processing Agreement	16	603,410	1,727,000
Accretion expense for Sturgeon Refinery Processing Agreement	16	163,590	-
Change in loss allowance for KXL Expansion Project Debt Guarantee	14	1,035,002	-
Change to long term inventory	8	(6,877)	-
Interest received from term loan receivable		43,772	-
Interest paid on short term debt		(21,307)	(12,490)
Changes in non-cash working capital	24	32,595	2,538
Net cash used in operating activities		**(579,567)**	**(210,596)**
Investing activities			
Funds from term loan receivable	11	124,079	-
Investment in KXL Expansion Project	10	(1,036,124)	-
TCPL repurchase of KXL Expansion Project - US Class A Interests	10	631,781	-
Intangible assets under development		-	(826)
Net cash used in investing activities		**(280,264)**	**(826)**
Financing activities			
Proceeds from short term debt	15	1,703,236	219,112
Repayment of short term debt	15	(661,640)	-
Net cash from financing activities		**1,041,596**	**219,112**
Increase in cash and cash equivalents		181,765	7,690
Cash and cash equivalents, beginning of period		13,415	5,725
Cash and cash equivalents, end of period		**$ 195,180**	**$ 13,415**
Cash paid			
Interest received		$ 44,200	$ 174
Interest paid		21,307	12,490
Taxes		825	-

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Authority and structure

The Alberta Petroleum Marketing Commission ("APMC" or the "Commission") operates under the authority of the *Petroleum Marketing Act, Chapter P-10*, Revised Statutes of Alberta 2000, and the *Natural Gas Marketing Act*, Chapter N-1, Revised Statutes of Alberta 2000. Pursuant to Alberta legislation the Commission as agent of Her Majesty the Queen in right of Alberta (the "Province"), as represented by the Department of Energy ("DOE"), accepts delivery of and markets the Province's royalty share of crude oil. This is achieved through the Commission receiving crude oil in kind from producers on behalf of the DOE and transferring the proceeds received from the sale of the crude oil back to the DOE. These consolidated financial statements disclose the transactions the Commission incurs while acting as agent on behalf of the DOE.

The *Petroleum Marketing Act* was amended on January 10, 2014. The amendments provided the Minister of Energy with new power to give directions to APMC; modernized and improved the basic corporate rules under which APMC operates including the ability to appoint up to seven directors, some of whom may be from outside the public service; clarified financial tools available to APMC and ensured proper Crown controls on use of these tools.

The Commission's mandate has been enhanced to include assisting in the development of new energy markets and transportation infrastructure. In line with that is the Commission's involvement with North West Redwater Partnership ("NWRP") and the Sturgeon Refinery. In 2020, APMC through newly created subsidiaries, committed to provide financial support for the construction of the KXL Expansion Pipeline ("KXL Expansion Project").

The Commission operates a Business Development group to identify and analyze business ideas and proposals that provide strategic value to Alberta and are financially feasible.

As an agent of the Government of Alberta ("GOA"), the Commission is not subject to Canadian federal or provincial corporate income taxes.

The Commission is located at the following address: #300, 801 – 6th Avenue S.W., Calgary, Alberta, T2P 3W2. These consolidated financial statements were authorized for issue by the Board of Directors on June 17, 2021.

Note 2 Basis of preparation

(a) Basis of presentation and Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and related interpretations as issued by the IFRS Interpretations Committee (IFRIC).

A summary of the results for the Commission's current business operating segments is found in Note 22.

(b) Change in reporting period

The Lieutenant Governor in Council prescribed a change in year end for the Commission from December 31 to March 31 under an Order in Council (O.C. 052/2021). These consolidated financial statements present the Commission's financial position as at March 31, 2021 and the results of its operations and changes in its financial position for the fifteen month period then ended. Comparative information presented in these consolidated financial statements is for the twelve month fiscal year which ended December 31, 2019. As such, amounts in the consolidated financial statements are not entirely comparable.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3.

(in thousands of Canadian dollars unless otherwise stated)

(d) Financial and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Commission's functional currency.

(e) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation of a classified balance sheet. As a result, comparative balances for cash and cash equivalents, accounts receivable have been reflected as current assets and accounts payable, due to the Department of Energy, short term debt and accrued interest have been classified as current liabilities. In addition, comparative balances for intangible assets and the term loan receivable have been reflected as non-current assets and the Sturgeon Refinery Processing Agreement provision has been separated between current and long term portion. As well, the presentation of the comparative period for the Consolidated Statement of Loss and Comprehensive Loss has been restated to combine the results of the Commission's operating segments, namely the conventional crude oil and marketing operations and the Sturgeon Refinery, and present the results of those segments in Note 22.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of APMC and its subsidiaries. Subsidiaries are all entities over which APMC has control. Subsidiaries are consolidated from the date of acquisition of control and continue to be consolidated until the date that there is loss of control. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation. The subsidiaries are detailed below.

Name	Principal activities	Country of Incorporation	% Equity Interest
2254737 Alberta Ltd.	Facilitate APMC's financial support of the Canadian portion of the KXL Expansion Project and assist with various governance related matters	Canada	100%
2254755 Alberta Ltd.	Facilitate APMC's financial support for the project costs related to the Canadian portion of the KXL Expansion Project	Canada	100%
2254753 Alberta Ltd.	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project and assist with various governance-related matters	Canada	100%
2254746 Alberta Ltd.	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project	Canada	100%

2254746 Alberta Ltd is the sole shareholder of:

Name	Principal activities	Country of Incorporation	% Equity Interest
2254746 Alberta Sub Ltd.	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project	United States	100%

All of the above subsidiaries have a December 31st year end for statutory purposes, but their results are consolidated through the fifteen month period ended March 31, 2021.

(b) Associates and joint operations

An associate is an entity over which the Commission has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Associates in which APMC has an equity interest are accounted for using the equity method. Associates in which APMC does not have an equity interest are not accounted for within these consolidated financial statements, but disclosure with respect to such entities is provided in accordance with IFRS requirements.

Where APMC has an interest in a joint operation, it recognizes, in relation to its proportionate interest, its share of the assets, liabilities, revenue and expenses.

(c) Foreign currencies

The Commission's consolidated financial statements are presented in Canadian dollars, which is also the functional and presentation currency of its subsidiaries.

Transactions in foreign currencies are measured at the functional currency at foreign exchange rates that approximates those on the date of the transaction.

Monetary assets and liabilities and investments denominated in foreign currencies are translated to the appropriate functional currency at the closing rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

(d) Financial instruments

(i) Financial assets:

The Commission classifies its financial assets in the following categories: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The classification is made at initial recognition and depends on the Commission's business model for managing financial assets and the contractual terms of the cash flows. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Commission's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement of financial instruments is based on their initial classifications. The Commission does not currently have any financial assets classified or measured at FVTOCI.

Financial assets at amortized cost:

The Commission classifies cash and cash equivalents, cash held in trust, accounts receivable, and term loan receivable as financial assets at amortized cost. Amortized cost is defined as the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate ("EIR") method of any difference between the initial amount and the maturity amount and, for financial assets, as adjusted for any loss allowance. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at FVTPL:

The Commission has determined that it does not have control, joint control or significant influence over its Investment in the KXL Expansion Project Class A and C Interests and this investment does not meet the SPPI test, despite the Class A Interests earning a return in the form of accretion (Note 10). Therefore, the Commission measures the Investment in KXL Expansion Project at FVTPL. Financial assets at FVTPL are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognized in profit and loss.

Derivative financial instruments:

The Commission utilizes financial derivatives to manage foreign exchange exposures. The Commission does not enter into derivative financial instruments for trading or speculative purposes. The Commission has not designated its financial derivative contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Commission considers all foreign exchange contracts to be economic hedges. As a result, financial derivatives are classified as FVTPL and are recorded on the balance sheet at fair value, with fair value changes recorded in profit or loss.

Impairment:

The Commission's accounting policy for impairment of financial assets is as follows: at each reporting date, on a forward looking basis, the Commission assesses the expected losses associated with its financial assets carried at amortized cost. For trade accounts receivable, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime credit losses to be recognized from initial recognition of the receivable. To measure expected credit losses, accounts receivable are grouped based on the counterparty investment rating as reported by the credit rating agencies and an anticipated default rate is applied to each rating multiplied by the receivable balance outstanding at a reporting date. For counterparties not rated by the credit rating agencies, the simplified approach and a provision matrix will be used to calculate the impairment provision. The matrix would look at a different percentage applied against each aging category, including the current amounts. The internal and external credit rating of a counterparty will be considered as part of this overall process.

Credit risk for longer term receivables is assessed based on an external credit rating of the counterparty. For longer term receivables with credit risk that has not increased significantly since the date of recognition, the Company measures the expected credit loss as the 12 month expected credit loss. For the NWRP term loan receivable, the Commission measures expected credit losses using the default rates for the GOA and Canadian Natural Resources Limited (CNRL) weighted credit ratings.

Changes in the provision for expected credit loss are recognized on the Consolidated Statement of Loss and Comprehensive Loss.

The Commission considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Commission may also consider a financial asset to be in default when internal or external information indicates that APMC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities:

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Commission's financial liabilities include accounts payable, due to Department of Energy, short term debt, and accrued interest on short term debt.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at amortized cost

All of the Commission's financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

(iii) Fair value measurement:

The Commission measures financial instruments such as the Investment in the KXL Expansion Project at fair value at each Consolidated Statement of Financial Position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability; or
In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Commission. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Commission uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Commission determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Commission determines the policies and procedures for fair value measurement. External valuation specialists may be utilized in the valuation of significant assets, such as the Investment in the KXL Expansion Project. Involvement of external valuation specialists is decided upon annually by senior management of APMC after discussion with and approval by the Commission's Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Commission decides, after discussions with the external valuation specialists, which valuation techniques and inputs to use in the measurement of fair value.

At each reporting date, senior management reviews the values of assets and liabilities that are required to be re-measured or re-assessed as per the Commission's accounting policies. When estimating the fair value, the Commission developed key assumptions based on objective observable data, to the extent possible, and agrees major inputs to contracts and other relevant documents.

The Commission compares the key assumptions and major input used in the determination of the fair value of each asset and liabilities to relevant external sources when available.

At each reporting period, the Commission presents the valuation results to the Board. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Commission has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(iv) Financial guarantee contracts:

Financial guarantee contracts are contracts issued by APMC that contingently require the Commission to make specified payments to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The date the Commission becomes a party to the irrevocable commitment is the date of initial recognition. Financial guarantee contracts are initially recognized and measured at the fair value of the obligation undertaken in issuing the guarantee, which is generally equal to the guarantee fee received in advance (if any), adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the guarantee is recognized as a liability measured at the higher of (i) the amount initially recognized (if any) less amortization for the passage of time and (ii) the loss allowance measured using an expected credit loss ("ECL") model.

ECLs with respect to financial guarantee contracts are calculated using a probability of default approach and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Commission expects to receive in respect of entitlement to contractual recoveries or reimbursements (but excluding expected guarantee fees or premiums), discounted at an approximation of the current rate representing the risk of cash flows.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Any changes in the recognized liability is included in income. In assessing whether there has been a significant increase in the credit risk since initial recognition, the Commission considers the changes in the risk that the specified debtor will default on the contract.

(e) Inventory

Inventory is comprised of blended feedstock, intermediates and products. Products include ultra-low sulphur diesel, diluent, unconverted oil, liquefied petroleum gas, and sulphur. Inventories are carried at the lower of cost and net realizable value. APMC contracts with third parties to directly deliver the Crown Supply of feedstock to the refinery. The cost of the Crown Supply to APMC is the invoiced amount from those third parties. Net realizable value methodology for blended feedstock, intermediates and products uses a combination of weighted average index prices and actual sales price. If the carrying amount exceeds net realizable value, a write-down is recognized.

As part of the marketing activities, inventory of $572 is being held in a fiduciary capacity on behalf of the DOE (2019 - $1,152). Inventory represents the royalty oil in feeder and trunk pipelines and consists of both purchased oil and royalty share oil. The Commission purchases oil to fulfill pipeline and quality requirements as part of the conventional crude oil marketing activities. As the Commission does not hold title to the oil and will not benefit from the ultimate sale as a principal, this inventory is not recognized.

(f) Intangible assets

The Commission has internally developed operations software to handle actualization and settlement of royalty and marketing transactions. In addition, APMC purchased accounting software for reporting and financial settlement of transactions. Both systems became operational in July 2019.

The Intangible assets are amortized on a straight-line basis over the estimated useful life of the software. The software systems have an estimated useful life of 10 years.

(g) Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In addition, an annual review is performed. Assets are grouped at the lowest level where there are separately identifiable cash inflows for the purpose of assessing impairment.

If there is an indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use, if the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized. Impairment losses are recognized in the Consolidated Statement of Loss and Comprehensive Loss.

If the circumstances leading to the impairment are no longer present, an impairment loss may be reversed. The extent of the impairment loss that can be reversed is determined by the carrying cost net of amortization that would have existed if the impairment had not occurred. Therefore, reversal of the loss cannot exceed the total carrying cost less amortization of the asset had the impairment not occurred. The impairment loss reversals are recognized in the Consolidated Statement of Loss and Comprehensive Loss.

(h) Onerous contract provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

At each year-end APMC performs an onerous contract assessment. A provision for an onerous contract is recorded when the unavoidable costs of meeting an obligation under a contract exceed the economic benefits expected to be received under it. This provision would be recorded as an expense on the Consolidated Statement of Loss and Comprehensive Loss and offsetting liability on the Consolidated Statement of Financial Position. For each subsequent year-end the Commission will perform an assessment to determine the updated net present value.

The balance sheet provision will be adjusted each year to the new net present value (either higher or lower) with the offset being recorded through the income statement. If the net present value turns positive then the reversal of the provision on the balance sheet is to zero (i.e. the contract cannot become an asset).

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when or as APMC satisfies a performance obligation by transferring a promised good or service to a customer. For marketing fees, the Commission's accounting policy for Revenue is as follows. The Commission earns revenue through marketing fees charged to the DOE based on net volumes sold. Collection of revenue occurs on or about the 25th of the month following delivery. Marketing fees are recognized when earned which corresponds to the service period in which the conventional crude oil marketing activities take place.

The Sturgeon Refinery achieved the Commercial Operations Date ("COD") as of June 1, 2020. Revenue from product sales is recognized when performance obligations in the sales contracts are satisfied and it is probable that the Commission will collect the consideration to which it is entitled. Performance obligations are satisfied at the point in time when the product is lifted from the Refinery facility and control passes to the customer. The customers are assessed for creditworthiness both before entering into contracts and throughout the revenue recognition process. The larger contracts for the sale of products generally have terms of greater than a year. There are also spot deals and contracts less than a year. Revenues are typically collected in the current month or the following month.

(j) Finance income and finance expenses

Finance income generated from conventional crude oil marketing operations comprises interest income earned on cash and cash equivalents.

Finance income related to the Sturgeon Refinery is comprised of interest income earned on the term loan receivable and interest income earned daily on cash and cash equivalents.

Finance expenses consist of interest expense on short term debt obligations due to the Province of Alberta (Note 15) and accretion expense on provisions (Note 16).

(k) Income taxes

As noted above, the Commission is exempted from Canadian federal and provincial corporate income taxes. However, 2254746 Alberta Sub Ltd., a Delaware incorporated company and 2254746 Alberta Ltd., an Alberta incorporated company have exposure to US federal and state corporate income taxes.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country in which the Company generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is accounted for using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying value for financial reporting purposes as at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences, the carry forward of unused tax credits, or the unused tax losses can be utilized.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable profit or loss;

- Taxable temporary differences arising on the initial recognition of goodwill; and

- Temporary differences related to investments in subsidiaries and joint ventures to the extent that is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recorded for all temporary differences other than where the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Accounting Standards Issued But Not Yet Adopted

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Commission will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Commission does not currently anticipate any significant impact from these amendments on the consolidated financial statements as a result of the initial application.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and with early adoption permitted. These amendments must be applied retrospectively. The Commission is currently assessing the impact the amendments will have on current practice.

Note 4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Commission to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies, if any, at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the consolidated financial statements. Estimates and judgements are continuously evaluated and based on the Commission's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

In March 2020, the global outbreak of the COVID-19 negatively impacted the worldwide demand for crude oil driving down commodity prices. The crude oil price collapse was exacerbated by the inability of the OPEC+ countries to agree on crude oil supply reductions. The COVID-19 pandemic has caused a material disruption to global business and a slowdown of the global economy. While there has been some improvement with world economies starting to open up, the situation is dynamic, and the ongoing economic impact and duration of these events continue to remain uncertain. Estimates and judgement made by the Commission in the preparation of the consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

The following are judgements, estimates and assumptions that the Commission has made in the process of applying APMC's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements.

(a) Government business enterprise

Under public sector accounting standards, organizations which are controlled by the government are either government business enterprises or other government organizations. Government business enterprises are required to apply IFRS, whereas other government organizations are provided with a choice for basis of presentation. The Commission has exercised judgment and determined that it is a government business enterprise because it is a separate legal entity and has been delegated financial and operational authority to carry on a business. In 2013, the Commission's mandate was expanded, and it is expected through its involvement with other marketing activities, such as the Sturgeon Refinery and KXL Expansion Project that it can provide services, maintain its operations and meet liabilities from sources outside of the government reporting entity. Had the Commission not been determined to be a government business enterprise, the Commission would have continued to apply public sector accounting standards, and such an alternative basis of accounting could have a pervasive effect on the measurement and presentation of items in the consolidated financial statements.

(b) Revenue recognition

The Commission has exercised judgment in determining whether it is acting as a principal or agent with respect to conventional crude oil marketing activities. The Commission is providing services to the Crown as delegated in the *Petroleum Marketing Act* that are *"…in the public interest of Alberta"*. The Commission accepts delivery of and markets the Crown's royalty share of crude oil, and has the ability to determine which customers to transact with, and whether it should purchase additional product for blending activities to change the composition of crude oil sold. The Crown has delegated, through the *Petroleum Marketing Act* the responsibilities to the Commission for ensuring the crude oil meets the customers' specifications and establishing prices of the crude oil. However, the Commission is not exposed to inventory risk, this risk belongs to the Crown. Therefore, the gross inflows and economic benefits of conventional crude oil marketing activities are considered collected on behalf of the DOE and are not recognized as revenue.

APMC has used judgment in determining whether it is acting as a principal or agent with respect to crude-by-rail activities. APMC was directed, on May 24, 2019, "…take all steps possible to explore best options for assigning crude-by-rail program contracts entered into by the Commission to third parties, and to enter into assignment agreements as expeditiously as possible with third parties on commercial terms, provided that the final terms have been approved by the Government". While the Commission entered into the contracts, it was acting as agent on behalf of the Crown and all financial risk belongs to the Crown. Therefore, the gross inflows and economic benefits of the crude-by-rail program are considered collected on behalf of the Crown and are not recognized as revenue.

APMC has also exercised judgment in determining whether it is acting as a principal or agent with respect to Sturgeon Refinery activities. As part of the processing agreement, NWRP processes the feedstock provided by the toll payers, APMC and CNRL, into refined products and will sell the refined products and by-products on behalf of APMC and CNRL. APMC and CNRL take the financial responsibility for the refined products and by-products meeting customer specifications, inventory risk, and establishing prices for the products. Therefore, APMC is acting as the principal in this arrangement and the gross inflows and economic benefits of the Sturgeon Refinery activities are recognized as revenue.

(c) Interests in Sturgeon Refinery

NWRP is a general partnership formed by CNR (Redwater) Limited (formerly Canadian Natural Upgrading Limited), a wholly-owned subsidiary of CNRL and by NWU LP, an indirect wholly-owned subsidiary of North West Refining Inc. NWRP was formed under the Partnership Act (Alberta) pursuant to a partnership agreement dated February 15, 2011, as amended on November 7, 2012, March 11, 2013 and April 7, 2014. The partners each have a 50% partnership interest in NWRP.

The Commission has exercised judgment in determining that it has significant influence over NWRP. As the Commission has no equity ownership interest in NWRP, it will not equity account for the NWRP within these consolidated financial statements. A summary of NWRP's financial information is included in Note 11.

NWRP has entered into various agreements to construct and operate the Sturgeon Refinery, a facility 45 kilometres north-east of Edmonton which has the capacity to process approximately 50,000 barrels per day (bbl/d) of bitumen at an incurred facility capital cost ("FCC") of $10.0 billion (2019 – $10.1 billion). APMC is providing the Sturgeon Refinery with 37,500 bbl/d of bitumen feedstock and Canadian Natural Resources Partnership will provide the remaining 12,500 bbl/d of bitumen feedstock under 30 year cost-for-service tolling agreements (collectively, the Processing Agreements). The Sturgeon Refinery achieved COD on June 1, 2020.

APMC has entered into a term loan with NWRP which earns interest at a rate of prime plus six percent, compounded monthly, and will be repaid over 10 years starting one year after COD. While the loan to NWRP is outstanding, APMC is entitled to a 25 percent voting interest on the Executive Leadership Committee (ELC), which is charged with overseeing and making decisions on the operations of the Sturgeon Refinery. CNRL and North West Refining Inc. have 50 and 25 percent voting interests on the ELC, respectively.

Pursuant to the Processing Agreements, NWRP processes bitumen and sells the refined products on behalf of APMC and CNRL (collectively, the Toll Payers). As required by the terms of the Processing Agreements, a trust account (the Initial Proceeds Trust Account or IPTA) has been established to facilitate the payments to and from the Toll Payers and NWRP. APMC has exercised judgment in determining that IPTA is a joint operation in which the Commission has a 75% interest in the assets, liabilities, revenue and expenses.

(d) NWRP - Monthly toll commitment

The Commission has used judgment to estimate the toll commitments included in Note 19 Commitments. The components of the toll are: senior debt; operating costs; class A subordinated debt; equity; and incentive fees. To calculate the toll, management has used estimates for factors including future interest rates, operating costs, oil prices (WTI and light/heavy differentials), refined product prices, gas prices and foreign exchange rates.

(e) Sturgeon Refinery Processing Agreement assessment

The Commission uses a cash flow model to determine if the unavoidable costs of meeting the obligations under the NWRP Processing Agreement exceed the economic benefits expected to be received. The model uses a number of variables to calculate a discounted net cash flow for APMC. Those variables include technical variables that arise from the design of the project such as pricing related variables including crude oil prices (WTI), heavy-light differentials, ultra-low sulphur diesel-WTI premiums, exchange rates, capital costs, operating costs, interest rates, discount rates; and operating performance compared to capacity.

Technical inputs may be estimated with reasonable accuracy for a particular operating plan; however revenues and costs that depend upon market prices are challenging to estimate, particularly over long future time periods. The Processing Agreement has a term of 30 years and may be renewed for successive five year periods at APMC's option. In order to perform the onerous contract analysis, APMC management developed estimates for the key variables based primarily on GOA forecasts.

Based on the analysis, as at the authorization date of these consolidated financial statements, APMC determined the agreement continues to have a negative net present value and a provision is required. See Note 16 for further details.

For each subsequent year-end, the Commission will perform this Processing agreement assessment to determine the updated net present value. The balance sheet provision will be adjusted each year to the new net present value (either higher or lower) with the offset being recorded through the income statement. If the net present value turns positive then the reversal of the provision on the balance sheet is to zero (i.e. the contract cannot become an asset).

(f) Interests in other entities

APMC applies judgement in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Commission; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Commission has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The

Commission has determined that the Investment in the KXL Expansion Project is a financial asset at fair value through profit or loss as described in IFRS 9 *Financial Instruments*.

(g) Fair value measurement of financial instruments

When the fair values of financial assets recorded in the Consolidated Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques.

The Commission has estimated the fair value of the KXL Investment at March 31, 2021 using a probability-weighted valuation technique. The fair value of the KXL Investment is included in Level 3 of the fair value hierarchy (see Note 10) because it requires the use of significant unobservable assumptions in the valuation techniques used to determine the fair value estimate. The determination of the fair value of the KXL Investment is complex and relies on several critical judgements and estimates. These critical assumptions and estimates used in determining the fair value of the KXL Investment are: the identification of potential scenarios that would impact the amount and timing of cash flows relating to the KXL Investment, the expected probability of those outcomes, and the estimated cash inflows and outflows relating to potential outcomes. Fair value estimates may not necessarily be indicative of the amounts that could be realized or settled, and changes in assumptions could affect the reported fair value of the financial instrument. Assumptions used in the determination of the fair value of the KXL Investment will continue to be refined as outcomes become known and more information becomes available.

(h) Operating segments

The Commission has reviewed and determined its operating segments as disclosed in Note 22.

(in thousands of Canadian dollars unless otherwise stated)

Note 5 Cash and cash equivalents

Cash and cash equivalents as at March 31, 2021 was $195,180 (2019 - $13,415). Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") which is managed by Alberta Investment Management Corporation to provide competitive interest income while maintaining appropriate security and liquidity of depositors' capital. The Fund is comprised of high quality short-term fixed income securities with a maximum term to maturity of one year. For the fifteen months ended March 31, 2021, the Commission earned $428 (2019 - $174) with a rate of return of 0.29% per annum (2019 – 1.82% per annum). Due to the nature of Fund investments, the carrying value approximates fair value.

Note 6 Cash held in trust

Cash held in trust as at March 31, 2021 was $11,282 (2019 – nil) and is for the Sturgeon Refinery. It is restricted and held on behalf of the Sturgeon Refinery Toll payers, namely APMC and CNRL. The amount reported is the portion attributable to APMC. The Commission does not have immediate access to the cash held in the trust account. The cash is to be used for funding the Sturgeon Refinery processing operations and for paying all tolls. Any cash distributions will be in accordance with the Processing Agreement.

Note 7 Accounts receivable

	March 31, 2021	December 31, 2019
Accounts receivable	$ 402,452	$ 84,216
Credit loss provision	(474)	(220)
Net accounts receivable	$ 401,978	$ 83,996

Accounts receivable is comprised of receivables from crude oil royalty marketing transaction activities on behalf of the Province and receivables from Sturgeon Refinery product sales.

As at March 31, 2021, there was $52,981 (2019 – $84,216) of accounts receivable for marketing transaction activities primarily for the March 2021 delivery month, which will be cash settled on April 25, 2021. In addition, there was $349,471 (2019 – nil) of account receivables from the Sturgeon Refinery consisting primarily of sale of refined products delivered in March 2021. The terms related to the sale of refined products are not greater than net 21 days.

Note 8 Inventory

Current	March 31, 2021	December 31, 2019
Balance, beginning of period	$ -	$ -
Additions	828,817	-
Cost of sales	(777,106)	-
Balance, end of period	$ 51,711	$ -
Long term		
Balance, beginning of period	$ -	$ -
Additions	6,877	-
Balance, end of period	$ 6,877	$ -

Inventory is comprised of blended feedstock, intermediates and products and is carried at the lower of cost and net realizable value. Inventory is classified as short-term if it is expected to be sold within the next twelve months of the financial reporting period.

(in thousands of Canadian dollars unless otherwise stated)

Long term inventory consists of line fill and tank bottoms which the Commission does not anticipate selling these volumes in the next 12 months.

The Commission has completed its review of inventory and determined the net realizable value is greater than the carrying value, hence no write-down is required.

Note 9 Intangible assets

Intangible assets		March 31, 2021		December 31, 2019
Balance, beginning of period	$	10,644	$	-
Transfer from Intangible assets under development		-		10,644
Balance, end of period	$	10,644	$	10,644
Accumulated amortization				
Balance, beginning of period	$	(532)	$	-
Amortization		(1,331)		(532)
Balance, end of period	$	(1,863)	$	(532)
Net intangible assets, end of period	$	8,781	$	10,112

The Commission internally developed operations software to handle actualization and settlement of royalty and marketing transactions. In addition, APMC purchased accounting software for reporting and financial settlement of transactions. Both systems became operational in 2019. As of March 31, 2021, the Commission did not have any transfers from intangible assets under development (2019 - $10.6 million).

The intangible assets are amortized on a straight-line basis over the estimated useful life of the software. The software systems have an estimated useful life of 10 years.

The Commission has completed its review of Intangible assets and determined there is no impairment.

Note 10 Investment in KXL Expansion Project

An Investment Agreement between TransCanada Pipeline Ltd ("TCPL") and the Commission was executed on March 31, 2020. The Commission, through its newly created subsidiaries, agreed to extend financial support of up to US $5.3 billion (CAD $7.5 billion on the date the agreement was signed), beginning with an equity commitment of up to US $1.06 billion in 2020 for the KXL Expansion Project. Under the agreement, equity contributions were only to be provided up to December 31, 2020 and the contributions totaled CAD $1.036 billion. The balance of the support is in the form of a debt guarantee by the Commission to backstop the financing by TCPL affiliated entities for the KXL Expansion Project.

In 2020, the APMC subsidiaries used the capital contributions received from the Commission to invest in partnership interests of entities affiliated with TCPL. In return for the capital contributions in the partnership, Class A Interests were issued to the contributing subsidiaries according to their contributions. Class A Interests rank above TCPL's equity investment in the entities and have certain voting rights. Capital contributions contributed up to March 31, 2026 earn a return in accordance with contractual terms. This return accrues on a quarterly basis and adjusts the carrying value of the Class A Interests. The Class A Interests issued are subject to call rights which enable TCPL affiliated entities to repurchase the Class A Interests at any time and put rights which enable APMC to sell the Class A Interests subsequent to the in-service date of the Keystone XL pipeline if certain conditions are met.

(in thousands of Canadian dollars unless otherwise stated)

During the fifteen months ended March 31, 2021, a return in the form of accretion of $11,836 (2019 – nil) was earned on the Canadian Class A Interests and $21,458 (US$16,402) (2019 – nil) was earned on the US Class A Interests for a total of $33,294 (2019 – nil) which has been recorded as part of the net change in the fair value of the investment. Accretion earned to date on the Canadian Class A Interests may not be recoverable as the fair value of the investment has been written down as discussed later in this note.

On January 8, 2021, TCPL exercised the repurchase right to purchase substantially all of the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. for $632 million (US $497 million) by drawing on the TCPL credit facility guaranteed by APMC (Note 14).

On January 20, 2021, U.S. President Biden revoked the Presidential Permit for the cross-border portion of the Keystone XL Pipeline. As a result of this, TCPL has suspended the advancement of the Keystone XL pipeline project. APMC, along with TCPL, are assessing the implications of the revocation and are considering their options. The Commission has ceased accruing a return on the remaining Class A Interests.

Subsequent to the year end, on June 9, 2021, APMC entered into the final KXL agreement (“the Final KXL Agreement”) with TC Energy as disclosed further in Note 25. Pursuant to the Final KXL Agreement, Class C Interests were issued in exchange for the payment of the debt guarantee cancellation payments made on June 16, 2021. The previous Class A Interests held were redeemed for a nominal amount on June 16, 2021. The Class C Interests received on June 16, 2021 do not have any put rights, voting rights or approval rights with respect to the business and affairs of the TCPL partnerships or carriers. The terms of the Final KXL Agreement have a contractual mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TCPL.

The Commission has incurred a loss on the estimated fair value of its Investment in the KXL Expansion Project.

The following table provides the fair value measurement hierarchy of the Commission’s assets and liabilities.

Fair value measurement hierarchy of assets at March 31, 2021 (the Commission had no assets and liabilities measured at fair value at December 31, 2019):

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:					
KXL Investment	March 31, 2021	$ 106,000	Nil	Nil	$ 106,000

Reconciliation of fair value (the Commission had no assets or liabilities measured at FVTPL prior to January 1, 2020):

	KXL Investment
As at January 1, 2020	$ -
Contributions - Canadian Class A interests	383,288
Contributions - US Class A interests	652,836
	1,036,124
Foreign exchange loss recognized in loss	(42,512)
Net change in fair value recognized in loss	(255,831)
TCPL repurchase of US Class A Interests	(631,781)
As at March 31, 2021	$ 106,000

(in thousands of Canadian dollars unless otherwise stated)

The fair value of the KXL Investment at March 31, 2021 was estimated by using a market approach to value Keystone XL Phase 4 pipeline assets under an abandonment scenario incorporating inputs for the estimated realizable value of the assets.

The determination of the fair value estimate included significant unobservable inputs: estimated cash inflows and outflows relating to an abandonment scenario. If the estimated cash flows relating to the abandonment scenario increase (decrease), the fair value estimate increases (decreases).

As the liquidation process under the abandonment scenario continues, more information is likely to become available that will impact the significant unobservable inputs. As a result, the estimated fair value will be impacted by events after the reporting period.

Note 11 Term loan receivable

Term loan receivable		March 31, 2021		December 31, 2019
Balance, beginning of period	$	652,470	$	590,918
Interest accrued		55,275		61,552
Repayments		(167,851)		-
		539,894		652,470
Credit loss provision		(541)		(261)
Less: current portion		(39,776)		-
Balance, end of period	$	499,577	$	652,209

The term loan earns interest at a rate of prime plus six percent, compounded monthly. Per the loan agreement, starting one year after COD (in July 2021), NWRP will make repayments of the loan principal as well as the interest that accrued prior to COD. These repayments will occur over a period of 10 years and the term loan will be fully repaid in June 2031. In addition, NWRP commenced making current interest payments on June 1, 2020.

Six months after COD, a true up of the subordinated debt occurred resulting in NWRP repaying principal of $124,079 on the term loan to the Commission. For the fifteen months ended March 31, 2021, APMC received $43,772 (2019 – nil) in interest payments.

For the fifteen months ended March 31, 2021, finance income of $55,412 (2019 - $61,588) (see Note 22) was reported for the Sturgeon Refinery, comprised of the interest income earned on the term loan of $55,275 (2019 - $61,552) and interest income earned on cash and cash equivalents of $137 (2019 - $36).

While loans to NWRP are outstanding APMC is entitled to a 25 percent voting interest on an Executive Leadership Committee, which is charged with overseeing and making decisions on the construction, start-up and operation of the Sturgeon Refinery. Given this 25 percent voting interest in NWRP, APMC has significant influence over NWRP. As the Commission has no equity ownership interest in NWRP, APMC will not apply equity accounting to the relationship with NWRP (see Note 4c).

Summarized audited financial information (audited by another firm) with respect to NWRP is presented below as of December 31, 2020. This information has been prepared in accordance with IFRS Disclosure of Interests in Other Entities as issued by the IASB.

(in thousands of Canadian dollars unless otherwise stated)

	NWRP (100% Interest) 2020	NWRP (100% Interest) 2019
Current assets	$ 218,935	$ 253,790
Non-current assets	11,110,108	11,323,677
Current liabilities	3,146,007	383,934
Non-current liabilities	8,487,798	11,311,691
Partners' equity	(304,762)	(118,158)
Revenue	1,348,251	1,736,210
Net and comprehensive loss attributable to Partners	(186,604)	(687,052)

Non-current assets primarily consist of property, plant and equipment which includes refining assets and land. Current liabilities most significant components are a revolving and non-revolving credit facility which comes due in June 2021. The non-current liabilities include long-term secured notes with maturities from 2022 to 2044 and subordinated debt with the Toll Payers.

Effective January 1, 2019, the light oil refinery ("LOR") transitioned from commissioning and start-up to operations for accounting purposes and was processing synthetic crude oil into refined products. Revenues and expenses relating to the LOR units were recognized in the Partnership's Consolidated Statements of Operations and Comprehensive Loss. The Sturgeon Refinery achieved COD on June 1, 2020. At that point NWRP started earning Tolling revenue from the Toll Payers.

Note 12 Accounts payable

	March 31, 2021	December 31, 2019
Trade payables	$ 471,621	$ 36,184
US income tax payable (Note 18)	4,331	-
Total accounts payable	$ 475,952	$ 36,184

Accounts Payable are comprised of payables from marketing transactions and from Sturgeon Refinery activities. As at March 31, 2021, there was $8,938 (2019 – $36,184) of accounts payable for marketing activities primarily for the March 2021 delivery month, which were cash settled on April 26, 2021.

In addition, there was $462,683 (2019 – nil) of account payables related to Sturgeon Refinery activities consisting of purchase of refinery feedstock, processor tolls and optimization transactions delivered in March 2021. The purchases of refinery feedstock are settled on April 26, 2021. The processor tolls and optimization transactions are net settled against refined product sales proceeds on April 26, 2021.

(in thousands of Canadian dollars unless otherwise stated)

Note 13 Due to the Department of Energy

	March 31, 2021	December 31, 2019
Balance, beginning of period	$ 84,586	$ 2,707
Amount to be transferred	423,825	870,778
Amount remitted	(449,769)	(788,899)
Balance, end of period	$ 58,642	$ 84,586

APMC acts as agent on behalf of the DOE, marketing the conventional crude oil royalty volumes. The Commission sells the royalty volumes and remits the dollars to the DOE on the 25th of the month following delivery, less a holdback to assist funding APMC's operations.

If the Commission had been considered to be a principal, the Consolidated Statement of Loss and Comprehensive Loss would have included: $483,908 revenues; $60,083 expenses; and $423,825 royalties to be transferred to the DOE respectively (2019 – $951,732 revenues, $80,954 expenses and $870,778 royalties to be delivered to the DOE).

Note 14 KXL Expansion Project Debt Guarantee

Pursuant to the Investment Agreement between TCPL and APMC, the Commission has provided a debt guarantee related to the financing of TCPL affiliate entities, in which an APMC subsidiary has partnership interests, for the KXL Expansion Project (the "Guarantee"). The Guarantee agreement was effective January 4, 2021. The Guarantee was in effect for the entire term to maturity of the TCPL credit facility. The maturity date applicable to lending under the facility was January 4, 2024. On March 26, 2021, TCPL reduced the total amount available under the credit facility from US$4.1 billion to US$1.6 billion pursuant to negotiated amendments. As at March 31, 2021, $854.7 million was the principal amount drawn on the debt at that date. It was management's expectation that there was a significant risk that the borrowers were likely to default on the debt on or before the middle of June 2021, and thus it would be likely that APMC will have a credit loss pursuant to its obligations under the Guarantee.

In the event of any debt guarantee cancellation payment made under the debt guarantee, subsidiaries of the Commission that are partners of the TCPL partnerships would be granted Class C interests in the TCPL partnerships and such Class C interests rank higher than Class A interests in preference in the event of a liquidation and dissolution of the TCPL partnerships. In addition, TCPL has agreed to indemnify the Commission for any debt financing costs included in any debt guarantee cancellation payments made by the Commission under the debt guarantee.

The maximum exposure to credit risk relating to a guarantee is defined as the maximum risk of loss if there was a total default by the debt holder (Note 10).

Subsequent to the year end, on June 9, 2021, APMC entered into the Final KXL Agreement with TC Energy as disclosed further in Note 25. APMC provided total contributions of CAD$1.035 billion on behalf of the TCPL partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement. The debt guarantee cancellation payments were paid on June 16, 2021 and APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. Pursuant to the Final KXL agreement, Class C Interests were issued in exchange for the payment of the debt guarantee cancellation payments made on June 16, 2021.

As at March 31, 2021, the undiscounted maximum exposure to credit loss as a result of debt guaranteed by APMC is CAD $1.035 billion, which represents the amount of the debt guarantee cancellation payments that were paid on June 16, 2021 under the Final KXL Agreement. As a result, an ECL provision for expected losses on these guarantees of $1.035 billion has been recognized in the consolidated financial statements as a current liability.

(in thousands of Canadian dollars unless otherwise stated)

	March 31, 2021	December 31, 2019
Balance, beginning of period	$ -	$ -
Expected credit loss allowance	1,035,002	-
Balance, end of period	$ 1,035,002	$ -

Note 15 Short term debt

Sturgeon Refinery	March 31, 2021	December 31, 2019
Balance, beginning of period	$ 855,043	$ 635,931
Additions	671,119	219,112
Repayments	(217,590)	-
Balance, end of period	$ 1,308,572	$ 855,043
KXL Expansion Project		
Balance, beginning of period	$ -	$ -
Additions	1,032,117	-
Repayments	(444,050)	-
Balance, end of period	$ 588,067	$ -
Total short term debt, end of period	$ 1,896,639	$ 855,043

The Commission entered into a Lending and Borrowing Agreement with the Province effective April 1, 2014. The agreement provides the framework under which APMC may from time to time request the Province to lend money to the APMC. The Province and APMC must obtain an Order in Council (approved by the Lieutenant Governor in Council) to authorize the lending and borrowing dollar limits. Treasury Board & Finance ("TB&F") is the government unit responsible for lending on behalf of the Province.

The Commission has an Order in Council in place that allows it to borrow up to $1.5 billion for funding related to the Sturgeon Refinery. As at March 31, 2021, the Commission has $1.309 billion (December 31, 2019 - $855 million) outstanding at various interest rates ranging from 0.170% to 0.550%. The tranches of borrowing are repayable over various terms not exceeding one year. As of March 31, 2021, the undrawn amount on the Order in Council totals $191 million.

The Commission has an Order in Council in place that allows it to borrow up to $2.0 billion for the Investment of the KXL Expansion Project. As at March 31, 2021, $588 million (December 31, 2019 - nil) is outstanding at various interest rates ranging from 0.240% to 0.700%. The tranches of borrowing are repayable over various terms not exceeding one year. As of March 31, 2021, the undrawn amount on the Order in Council totals $1,412 million.

As at March 31, 2021, the Commission's short term debt borrowings with TB&F has contractual maturities as summarized below.

(in thousands of Canadian dollars unless otherwise stated)

		Total		< 3 months		3-6 months		6-12 months
Short term debt	$	1,896,639	$	493,521	$	666,597	$	736,521
Accrued interest on short term debt		3,001		1,397		1,092		512
	$	1,899,640	$	494,918	$	667,689	$	737,033

Note 16 Sturgeon Refinery Processing Agreement provision

As at March 31, 2021, APMC assessed the Sturgeon Refinery Processing Agreement to determine if it represents an onerous contract. APMC uses a cash flow model to assess if the net present value of the unavoidable costs related to the Processing Agreement with NWRP exceeds the economic benefits to be received. The model calculates the net present value of revenues from sales of refined products less feedstock costs and refinery tolls charged by NWRP under the Processing Agreement.

During the fifteen months ended March 31, 2021, there was a $767 million increase in the Sturgeon Refinery Processing Agreement provision consisting of a change to the loss provision of $603 million (2019 - $1,727 million) and accretion expense of $164 million (2019 – nil). The accretion expense was reported as part of finance expense.

The undiscounted future cash net inflows are estimated to be $6.9 billion over the expected life of the project including terminal value at end of life. These cash flows have been discounted using a discount rate of 8.5 percent. The onerous contract provision is expected to be settled in periods up to March 2061.

		March 31, 2021		December 31, 2019
Balance, beginning of period	$	1,727,000	$	-
Change to loss provision		603,410		1,727,000
Accretion		163,590		-
		2,494,000		1,727,000
Less: current portion		(550,000)		(143,743)
Balance, end of period	$	1,944,000	$	1,583,257

APMC uses the GOA budget commodity price forecast for WTI, WCS, condensate and foreign exchange to calculate the net present value. The primary change to the net present value was a weaker gross margin resulting from higher feedstock prices, lower diesel premiums and a stronger Canadian dollar in the near term. In addition the change in the net present value was impacted by: higher operating costs in the near term related to a full year of undiscounted costs, inclusion of project deficiency costs and higher near-term gas prices; movement of the refinery turnaround up two years and increased turnaround duration; offset by lower debt tolls due to lower interest rates and costs related to COD incurred in prior year.

The most impactful pricing variables to the net present value of the contract are forecasted WTI-WCS differential and foreign exchange rates. The net present value of the contract has a sensitivity to changes of USD $1 per barrel for the WTI-WCS differential of +/- $295 million. The net present value of the contract has a sensitivity to changes in foreign exchange, for every $0.01 the Canadian dollar changes from the forecast there is a +/- $112 million change to the net present value of the contract. If the Canadian dollar weakens in relation to the U.S. dollar, there is a positive impact to the net present value of the contract and conversely if the Canadian dollar strengthens in relation to the U.S. dollar, there is a negative impact to the net present value.

Note 17 Financial instruments

The Commission’s financial instruments consist of cash and cash equivalents, cash held in trust, accounts receivable, Investment in KXL Expansion Project, term loan receivable, accounts payable, due to Department of Energy, short term debt, and accrued interest on short term debt. Except for the Investment in KXL Expansion Project, the carrying values of these financial instruments approximate the fair value due to the short term nature of these instruments. Refer to Note 3 (d) for further information related to the Commission's accounting policies related to *IFRS 9 – Financial Instruments*.

The Commission is exposed to a variety of financial risks: market risk (interest rate risk), credit risk, liquidity risk and commodity price risk. The nature of the risks faced by the Commission and its policies for managing such risks are detailed below.

(a) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is subject to interest rate risk from fluctuations in rates on its cash and cash equivalents balance (Note 5). For the respective periods ending March 31, 2021 and December 31, 2019, a 100 basis point change would have a nominal effect on net income.

There is interest rate risk related to the term loans issued to NWRP. APMC earns interest at a rate of prime plus 6%, compounded monthly. A 100 basis point rise in prime would have improved finance income for the fifteen months ended March 31, 2021 by $4.2 million (12 months ended December 31, 2019 - $6.5 million). A 100 basis point decline in prime would have reduced finance income by $4.2 million (12 months ended December 31, 2019 - $6.4 million).

(b) Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or party to a financial instrument fails to meet its contractual obligation and arises principally from the Commission's cash and cash equivalents, cash held in trust, accounts receivable and term loan and other financial instruments. The maximum amount of credit risk exposure of these instruments is limited to the carrying value of the balances disclosed in these consolidated financial statements.

Credit risk also arises from the possibility of third-party defaults on the repayment of debt whereby APMC has provided guarantees.

The Commission manages its exposure to credit risk on cash and cash equivalents by placing these financial instruments with the Consolidated Cash Investment Trust Fund (Note 5).

A substantial portion of the Commission's accounts receivable are with its agents and customers in the oil and gas industry and are subject to normal industry credit risk. The Commission monitors the credit risk and credit rating of all customers on a regular basis. Aged receivable balances are monitored and a credit loss provision is provided in the period in accordance with IFRS 9. Any credit losses on accounts receivable would be charged on to the DOE.

APMC has issued term loans totaling $315 million (2019 – $439 million) to NWRP. NWRP is an investment grade counterparty. Bonds issued by NWRP received a BBB credit rating (BBB+ in 2019) from Standard and Poor's. For NWRP, this is subordinated debt which ranks behind senior secured debt. A trust structure has been set up under which APMC receives monies owed under the term loan after amounts owed to senior debt holders and certain other amounts have been paid. A credit loss provision for the term loan and related accrued interest has been provided in the period per IFRS 9.

Credit risk relating to financial guarantee contracts is mitigated through APMC's involvement in the management of the debtor and decisions relating to the KXL Expansion Project as a result of its' partnership interests in the debtor entities. The Commission monitors the changes in the risk of the specified debtor defaulting on the debt relating to the guarantees to assess for changes in credit risk. For the maximum exposure to credit risk on financial guarantee contracts refer to Note 14.

(in thousands of Canadian dollars unless otherwise stated)

Credit loss provision

Accounts receivable - trade		March 31, 2021		December 31, 2019
Balance, beginning of period	$	220	$	153
Change to loss provision		28		67
Balance, end of period	$	248	$	220
Accounts receivable - Sturgeon Refinery				
Balance, beginning of period	$	-	$	-
Change to loss provision		226		-
Balance, end of period	$	226	$	-
Term loan receivable and accrued interest				
Balance, beginning of period	$	261	$	236
Change to loss provision		280		25
Balance, end of period	$	541	$	261
Total change to loss provision for the period	$	534	$	92

The loss provision for trade accounts receivable is recorded to General and Administrative Expenses (Note 23) in the Consolidated Statement of Loss and Comprehensive Loss. The loss provisions for Sturgeon Refinery accounts receivable and the term loan receivable have been recorded to Provisions for Sturgeon Refinery in the Consolidated Statement of Loss and Comprehensive Loss.

(c) Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due. The Commission actively manages its liquidity through cash and receivables strategies. In addition, APMC has the ability to obtain financing through external banking credit facilities or from TB&F.

As at March 31, 2021, excluding short term debt, the Commission's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) are summarized below. The maturities for short term debt are presented in Note 15.

	Total	< 1 Year	1-3 Years	3-5 Years	More than 5 Years
Accounts payable	$ 475,952	$ 475,952	$ -	$ -	$ -
Due to the Department of Energy	58,642	58,642	-	-	-
KXL Expansion Project Debt Guarantee	1,035,002	1,035,002	-	-	-
Sturgeon Refinery Processing Agreement provision	2,494,000	550,000	814,000	551,000	579,000
	$ 4,063,596	$ 2,119,596	$ 814,000	$ 551,000	$ 579,000

The term loan is structured so that the Commission will receive repayments starting one year after COD of the Sturgeon Refinery. The outstanding amount owed will be repaid straight line over a 10 year period with accrued interest.

For the short term debt, the Commission intends to borrow additional funds from TB&F and then to match the repayment terms detailed for the term loan above.

(in thousands of Canadian dollars unless otherwise stated)

(d) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

The Commission's operational results and financial condition are impacted by prices realized on sales of refined products and tolls at the Sturgeon Refinery. In addition, the Commission's financial position and results are also impacted by changes in estimates of future commodity prices used in the determination of the net present value of the Processing Agreement. Movement in commodity prices could have a significant positive or negative impact on the Commission's net loss (see Note 16).

(e) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Commission's exposure to the risk of changes in foreign exchange rates related primarily to the Commission's KXL Investment. A portion of the KXL Investment was denominated in a foreign currency and this exposed the Commission to the risk that the fair value will fluctuate due to changes in the exchange rate.

As of March 31, 2021, the Commission is no longer exposed to this risk as substantially all of its KXL US Investment (see Note 10) has been repurchased by TCPL (through the U.S. Class A Interests).

(f) Offsetting financial assets and liabilities

The Commission enters into contracts with single shipper pipelines, where APMC sells oil to the carrier at the inlet and purchases the oil back at the terminus of the pipeline. The agreements are written to allow for offsetting of accounts receivable and accounts payable, which are presented on a net basis on the Consolidated Statement of Financial Position. The following table presents the recognized financial instruments that are offset as a result of netting arrangements and the intention to settle on a net basis with counterparties.

	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in the statement of financial position	Net amounts of financial assets (liabilities) recognized in the statement of financial position
Accounts receivable (Note 7)	$ 403,716	$ 1,738	$ 401,978
Accounts payable (Note 12)	(477,839)	(1,887)	(475,952)
Net position, March 31, 2021	(74,123)	(149)	(73,974)
Accounts receivable (Note 7)	88,564	4,568	83,996
Accounts payable (Note 12)	(42,538)	(6,354)	(36,184)
Net position, December 31, 2019	$ 46,026	$ (1,786)	$ 47,812

Capital management

The capital structure includes the Commission's equity. The Commission's objectives when managing capital are to safeguard the Commission's ability to continue as a going concern and provide returns to the DOE through responsible marketing of conventional crude oil royalty volumes and its other business activities. The Commission does not have any externally imposed restrictions on its capital. There has been no change in the Commission's capital management strategy.

Note 18 Income taxes

As noted above, the Commission is exempted from Canadian federal and provincial corporate income taxes. However, 2254746 Alberta Sub Ltd., a Delaware incorporated company and 2254746 Alberta Ltd., an Alberta incorporated company have exposure to US federal and state corporate income taxes.

During the fifteen month period ended March 31, 2021, the Commission recorded $5,199 (2019 – nil) of income tax expense due to the Internal Revenue Service ("IRS") in the United States. During that 2021 period, accretion income of $21,458 (US$16,402) (Note 10) was earned on the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. (the "US subsidiary").

US corporate taxes were due on the accretion income earned by the US subsidiary and the remainder was distributed by an intercorporate dividend to the Canadian holding company, 2254746 Alberta Ltd., which also resulted in withholding taxes being paid to the IRS. The total of the US corporate taxes and withholding taxes paid to the IRS of $5,199 has all been expensed as it is uncertain that any of the withholding taxes will be recoverable.

As of March 31, 2021, $4,331 (US$3,445) of income taxes payable to the IRS is included in accounts payable (Note 12).

The Commission does not currently have any deferred income tax assets or liabilities.

Note 19 Commitments

(in millions)	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Beyond March 2026	Total
NWRP Tolls	$ 1,076	$ 1,139	$ 1,014	$ 1,042	$ 1,019	$ 21,123	$ 26,413

NWRP Tolls:

Under the processing agreement, after COD, the Commission is obligated to pay a monthly toll comprised of: senior debt; operating; class A subordinated debt; equity; and incentive fees on 37,500 barrels per day of bitumen (75% of the project's feedstock). The Sturgeon Refinery attained COD June 1, 2020. The processing agreement has a term of 30 years starting with the Toll Commencement Date (June 1, 2018). The toll includes flow through costs as well as costs related to facility construction, estimated to be $10.0 billion (2019 - $10.1 billion).

The Commission has very restricted rights to terminate the agreement, and if it is terminated the Commission remains obligated to pay its share of the senior secured debt component of the toll incurred to date.

The nominal tolls under the processing agreement assuming: a $10.0 billion FCC; market interest rates; and 2% operating cost inflation rate, are estimated above.

The tolls are undiscounted and are up to the end of the processing agreement (May 31, 2048).

The reduction in tolls compared to 2019 ($26.575 billion) consists of 15 months of tolls since December 31, 2019 falling off the calculation offset by higher operating costs related to increased carbon taxes.

These undiscounted tolls do not take into account the net margin received on the sale of APMC's bitumen feedstock.

(in thousands of Canadian dollars unless otherwise stated)

Note 20 Related party transactions

The DOE pays the Commission a fee to market crude oil on its behalf under conventional crude oil marketing activities, reported as marketing fees within the Consolidated Statement of Loss and Comprehensive Loss. The amounts owing to the DOE have been disclosed in Note 13.

The Commission enters into transactions with the DOE, a related party, in the normal course of business. For the fifteen months ended March 31, 2021, the DOE incurs costs for salaries on behalf of the Commission, as recognized under wages and benefits of $2,716 (2019 - $2,200) within the Consolidated Statement of Loss and Comprehensive Loss. In addition, no DOE salaries were capitalized within intangible assets (2019 - $79).

Service Alberta, a related party provided the software and maintenance services totaling $604 for the fifteen months ended March 31, 2021 (2019 - $453).These expenditures are recognized within the Consolidated Statement of Loss and Comprehensive Loss. In addition, no technology services related to software development have been capitalized within intangible assets (2019 - $598).

The Commission has outstanding short term debt with TB&F. For more details see Note 15.

Information on the Term Loan Receivable from NWRP and summarized financial information for NWRP is found in Note 11. Refer to Note 4(c) for a description of the Sturgeon Refinery, Note 4(d) for the NWRP monthly toll commitment and Note 16 for the Sturgeon Refinery Processing Agreement Provision.

Information on the Commission's investment in the KXL Expansion Project Class A partnership interests is found in Note 10 and the KXL Expansion Project Debt Guarantee is found in Note 14.

The Board members of the Commission, executive management and their close family members are deemed related parties of the Commission. Transactions with close family members are immaterial; compensation for Board members and executive management is disclosed in Note 21.

Note 21 Salaries and benefit disclosure

Key management personnel include the Commission's Chief Executive Officer, Vice President Finance, Director of Operations, Director of Finance, Director of Business Development and Board Members. The amounts in the consolidated financial statements relating to board members and key management compensation for the fifteen months ended March 31, 2021 and the twelve months ended December 31, 2019 are as follows:

	15 months ended March 31, 2021				**2019 (12 months)**
	Base Salary	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Board Members (1)	$ -	$ 171	$ -	$ 171	$ 96
Chief Executive Officer	381	112	8	501	401
Vice President, Finance (4)	15	3	-	18	-
Director of Operations (5)	338	91	5	434	243
Director of Finance	296	32	4	332	263
Director of Business Development (6)	138	27	-	165	-
Executive Director, Business Development (7)	-	-	-	-	264

(1) The Chair of the Board (Deputy Minister, DOE) and one director (Assistant Deputy Minister, DOE) are unpaid. There are five outside Board Members. The outside Board Members receive an annual retainer and meeting fees.

(in thousands of Canadian dollars unless otherwise stated)

(2) As per their employment contracts, the key management personnel receive cash payments in lieu of benefits. No bonuses were paid during the year.
(3) Included in Other Non-cash benefits is parking.
(4) The Vice President, Finance was hired effective March 15, 2021.
(5) The Director of Operations was hired effective March 31, 2019.
(6) The Director of Business Development was hired effective August 18, 2020.
(7) The Executive Director, Business Development resigned effective October 11, 2019.

Note 22 Segment information

The Commission's reportable segments were determined based on differences in products and support services offered under its mandate as disclosed in Note 1. The Commission's operating segments consist of conventional crude marketing operations, the Sturgeon Refinery and the KXL Expansion Project.

These reportable segments of the Commission have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Commission's chief operating decision maker, identified as the Commission's Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Commission regularly provides financial information on revenues and expenses of each segment, but not total assets or liabilities by segment.

For Fifteen Months ended March 31, 2021	Conventional Crude Oil Marketing Operations	Sturgeon Refinery	KXL Expansion Project	Total
Revenues				
Refinery sales	$ -	$ 1,131,367	$ -	$ 1,131,367
Marketing fee income	5,256	-	-	5,256
	5,256	1,131,367	-	1,136,623
Finance income	291	55,412	-	55,703
	5,547	**1,186,779**	**-**	**1,192,326**
Expenses				
Refinery feedstock purchases	-	909,227	-	909,227
Refinery tolls & other	-	837,150	-	837,150
General and administrative expenses	7,682	6,151	5,107	18,940
Amortization	1,331	-	-	1,331
Finance expense	-	178,144	1,839	179,983
Foreign exchange loss	88	1,988	34,749	36,825
Provisions for Sturgeon Refinery	-	603,916	-	603,916
Loss allowance for KXL Expansion Project Debt Guarantee	-	-	1,035,002	1,035,002
Fair value loss on investment in KXL Expansion Project	-	-	255,831	255,831
	9,101	**2,536,576**	**1,332,528**	**3,878,205**
Loss before income taxes	(3,554)	(1,349,797)	(1,332,528)	(2,685,879)
Income taxes	-	-	5,199	5,199
Net loss and comprehensive loss	**$ (3,554)**	**$ (1,349,797)**	**$ (1,337,727)**	**$ (2,691,078)**

(in thousands of Canadian dollars unless otherwise stated)

For Twelve Months ended December 31, 2019	Conventional Crude Oil Marketing Operations	Sturgeon Refinery	KXL Expansion Project	Total
Revenues				
Refinery sales	$ -	$ -	$ -	$ -
Marketing fee income	6,747	-	-	6,747
	6,747	-	-	6,747
Finance income	138	61,588	-	61,726
	6,885	**61,588**	**-**	**68,473**
Expenses				
Refinery feedstock purchases	-	-	-	-
Refinery tolls & other	-	201,011	-	201,011
General and administrative expenses	6,621	-	-	6,621
Amortization	532	-	-	532
Finance expense	-	14,805	-	14,805
Foreign exchange loss	-	-	-	-
Provisions for Sturgeon Refinery	-	1,727,025	-	1,727,025
Loss allowance for KXL Expansion Project Debt Guarantee	-	-	-	-
Fair value loss on investment in KXL Expansion Project	-	-	-	-
	7,153	**1,942,841**	**-**	**1,949,994**
Loss before income taxes	(268)	(1,881,253)	-	(1,881,521)
Income taxes	-	-	-	-
Net loss and comprehensive loss	**$ (268)**	**$ (1,881,253)**	**$ -**	**$ (1,881,521)**

Note 23 General and administrative expenses

General and administrative expenses include the following:

	Note	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
General and administrative expenses			
Wages & benefits	20	$ 5,350	$ 4,041
Software & maintenance	20	1,268	581
Consulting		11,770	1,579
Dues & subscriptions		288	173
Directors' fees	21	171	96
Change to loss provision for accounts receivable	17	28	67
Other		65	84
Total general and administrative expenses		**$ 18,940**	**$ 6,621**

(in thousands of Canadian dollars unless otherwise stated)

Note 24 Supplemental cash flow information

Details of changes in non-cash working capital from operating activities include the following:

	For Fifteen Months Ended March 31, 2021	For Twelve Months Ended December 31, 2019
Cash held in trust	$ (11,282)	$ -
Accounts receivable	(318,236)	(76,820)
Inventory	(51,711)	-
Accounts payable	439,768	(2,521)
Due to Department of Energy	(25,944)	81,879
Changes in non-cash working capital from operating activities	**$ 32,595**	**$ 2,538**

Note 25 Subsequent events

Short term debt

As of the issuance date of these consolidated financial statements, the Commission borrowed additional funds of $237 million for the Sturgeon Refinery from TB&F. The interest rates associated with these borrowings range from 0.0608% to 0.1444%. The tranches of these borrowings are repayable over various terms maturing at between April 29, 2021 and July 26, 2021.

During the same period, the Commission repaid TB&F $40 million related to the Sturgeon Refinery.

As for the KXL Expansion Project, the Commission borrowed additional funds of $1.035 billion with interest rates ranging from 0.0608% and 0.1338%. The tranches of these borrowings are repayable over various terms maturing between May 27, 2021 and July 16, 2021.

The Commission also repaid TB&F $183 million related to the KXL Expansion Project during the same period.

KXL Expansion Project

Subsequent to the year end, on June 9, 2021, the APMC, as directed by the Alberta Government, and TC Energy have reached an agreement for an orderly exit from the KXL project and partnership. The two parties will continue to explore all options to recoup the government's investment in the project. Final costs to the government are expected to be approximately $1.3 billion.

The Final KXL Agreement provided for the following items as clarification and an exit from the original agreements. APMC provided total contributions of CAD$1.035 billion on behalf of the TCPL partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement. The debt guarantee cancellation payments were paid on June 16, 2021 and APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. In exchange for APMC making the guarantee cancellation payments through its wholly owned Canadian and US subsidiaries, Class C Interests were received from the TCPL partnerships. Class A Interests were redeemed for a nominal amount on June 16, 2021. The Final KXL Agreement also provides a mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TCPL. APMC has reflected the terms of the Final KXL Agreement in determining its estimates for the Investment in the KXL Expansion Project and the KXL Expansion Project Debt Guarantee in the consolidated financial statements as at March 31, 2021.